Indira Gandhi
National Open University
School of Management Studies

MMPC-006
Marketing Management

Block

1

INTRODUCTION TO MARKETING AND MARKETS

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Block 1 INTRODCTION TO MARKETING AND MARKETS

Welcome to this course on marketing. In this course we are primarily concerned with the management of exchange process between a firm and its customers. A firm offers a products or a service concept to the potential customer who has need for it. The marketing process matches the firm's offer and the consumer's need in such a way that both benefit one in terms of profit and the other in terms of need satisfaction.

The course on marketing opens with this block entitled Introduction to Marketing and Markets.
This Block has four Units. The first of these units introduces the definition, concepts and philosophies of marketing and then goes on to describe the various marketing decisions. The unit emphasizes on elements of marketing mix and formulation of marketing strategy. We are sure it will be interesting and rewarding.

The second Unit in the block attempts to establish the need to understand and analyze environmental factors in which it operates. A thorough scan of environmental factors enables the firm to indentify strengths and weaknesses of a company, and opportunities and threats posed by the external environment.

Unit three on STP is an acronym for **Segmentation, Targeting, and Positioning** this is a three-step model that examines your products or services as well as the way you communicate their benefits to specific customer segments. Firms have achieved leadership positions through effective STP strategies.

The last Unit in this block will take you into the insights of consumer behavior and its importance to the marketers. The unit discusses exhaustively the determinants of consumer behaviour. It describes various physical, social and psychological factors that characterize and shape the behaviour of consumers. The unit also attempts to consolidate and conceptualize our current knowledge about consumer's behaviour with the help of relevant models.

UNIT 1 MARKETING: AN OVERVIEW

Objectives

This introductory unit is aimed to help the learner to understand:

- the meaning of marketing and concept of marketing
- the basic marketing concepts
- orientation of the firm towards its customers
- in developing a marketing mix for the firm and elements of marketing mix
- the framework in relations to 4Ps
- scope and misconceptions of marketing

Structure

1.1 Introduction

1.2 What does the term Marketing Mean?

1.3 Definition and Concept of Marketing

1.4 Needs wants and Demands

1.5 Basic marketing concepts

1.6 What is marketing?

1.7 Firm Orientation towards to its Customers

1.8 Concept of Marketing Mix

1.9 Developing A Marketing Mix

1.10 Elements of Marketing Mix (4ps)

1.11 4As Frame Work in Relation To 4Ps of Marketing Mix

1.12 Marketing Strategy

1.13 Marketing Strategy Process

1.14 Scope of Marketing

1.15 Misconception about Marketing

1.16 Summary

1.17 Key Words

1.18 Self-Assessment Test

1.19 Further Readings

1.1 INTRODUCTION

We welcome you to this course. Different people with different objectives would opt to learn marketing. However, marketing, as you will soon perceive and study its importance whether you are working in the marketing department or any other department of an organisation.

Marketing is a very exciting and highly challenging field. It requires individual interest with a flair for creativity for success. Congratulations! You have embarked on the study of an exciting subject, which will boost your creativity and imagination in every given marketing situation in your career down the line.

Marketing is everywhere most of the tasks we do and most of the things we handle are linked to marketing. Marketing is an activity. Marketing activities and strategies result in making products available that satisfy customers while making profits for the companies that offer the products. Your morning tea, the newspaper, your breakfast, the dress you put on for the day, the vehicle you drive, the mobile in your pocket, the quick lunch you have at the fast food joint, the PC at your desk, your internet service provider, your e-mail ID almost everything that you use and everything that is around you, has been touched by marketing. Marketing has its imprint on them all depending on the product and the context/experience the imprint may be visible or subtle. But it is very much there. Marketing permeates most of your daily activities. Marketing is an omnipresent entity.

The field of marketing cannot be studied in isolation as it combines with a range of other areas/disciplines such as economics, psychology, sociology, political science, statistics, and information technology etc. In the light of its alliance with the above disciplines you must be wondering to witness the far-reaching changes that are taking place both within the firm and the Indian society at large. In addition, you will also witness similar shifts in the global scenario and the likely impact on the performance of your firm in terms of marketing activities and decision making.

This course has been designed primarily to develop your awareness of the marketing orientation. It is assumed that such knowledge about marketing decisions and processes will not only improve your personal competence but will also help in attaining your organizations' goals.

1.2 WHAT DOES THE TERM MARKETING MEAN?

Marketing refers to the process of ascertaining consumer needs, converting them into products and services, and then moving the product or service to the final consumer segment with emphasis on profitability and customer satisfaction, and ensuring the optimum use of the resources available to the organization.

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individuals and organizational objectives.

According to Philip Kotler, marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. The author has considered marketing as a social process where interaction of people is an essential component of it. Through this interaction the persuasion for selling the products or services begins. Thus marketing is purely purchase decision of the customer but through continuous marketing initiatives at different stages. Marketing starts before the production of the goods and continues even after the selling of the products. Thus it is assumed marketing is a continuous process. While the activities pertaining to identification of the needs, wants and demands of the customer, then designing of a suitable product to meet the needs, giving name to the product and converting it to a brand by communicating it to the customers.

1.3 DEFINATION AND CONCEPT OF MARKETING

The American Marketing Association defines marketing as follows:

"Marketing is the performance of business activities that directs the flow of goods and services from producer to consumer or user".

Activity 1

Do you agree with the above definition? If yes or no offer your reasons. Select any ten products and service offerings of your choice that are being currently marketed.

Later on the American Marketing Association revised its definition of marketing as

"the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." This definition attempted to highlight the importance of exchange processes that occur between the seller and the buyer. As we move on to discuss about the subject matter of marketing, we would understand the meaning of this definition better

Exchange Process: Let's first look into the meaning and importance in marketing management.

Primarily the term exchange means "giving or receiving something in return for something else" i.e. in marketing parlance an individual or a customer will simply obtain the firms product or service offering to satisfy his need or want in exchange of money thus leading to exchange process between two entities. For example if a person hires a Uber service for his travel from destination **x to y** and the money paid as fare in lieu of the trip is an exchange process. This exchange process can extend into strong relationship marketing and we enter into exchange relationships all the time. Through relationship marketing we build a long-term association with the customer. In the above example of Uber, if the customer is satisfied by the service then we may plan to use the same services in future as well and intend to become a loyal customer with Uber. While Uber by way of delivering value to customers, a relationship with customers is developed. Thus marketing is earning profit by building relationship with

customer through satisfying their needs and wants. The same explanation is applicable for a product as well.

We can see that marketing, as per this definition, starts with a 'Product'. This is very common idea among many people, for example, in advertising agencies, as they normally are required to advertise to sell a product, which already exists. Similarly, salesmen are also given 'products' and asked to sell them. Therefore, to them marketing often, starts with a product. However, this is only a narrow view of the concept of marketing.

On the contrary knowingly or unknowingly we as individuals and organisations involve in a variety of activities which we call them as marketing.

- A TV anchor would try to impress upon the audience by 'marketing' her show.
- In college campus placements, the final semester students of a postgraduate programme in business administration would try to be successful in 'marketing' their candidature to prospective employers.
- Matrimonial firms trying to get a better response for the grooms 'marketed' by them from potential brides is also considered an example of marketing.
- An officer of the Health and Family welfare department is trying to create awareness in a remote district about the need for immunization.

Now let's look at the definition of Marketing in the words of **Philip Kotler.** According to him, marketing management is:

The art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

The definition focuses "superior customer value." Customer Value primarily is the incremental benefit which a customer derives from consuming a product after paying in return. The term value signifies the benefit that a customer gets from a product. It is the difference between the benefits (sum of tangible and intangible benefits) and the cost. Customer value is dependent on the three factors – Quality, Service and Price. The value of a product increases with its quality and service, as the benefits increase. On the other hand, the value decreases with increase in price because of the increase in costs increase in this case.

As "superior customer value" is the created when customers are willing to pay more for your product or service than competitor or when they prefer your version of a product or service to all others because it meets their needs better and maybe even exceeds their expectations.

As a marketer you should view marketing both from social and managerial dimensions. The social aspect of marketing was put forth by **Paul Mazur**. He defined marketing as ***the creation and delivery of a standard of living to society.*** The standard of living suggests the level of wealth, comfort, material goods, and necessities available to a certain socio-economic class or geographical region. Thus the products and services offered by organisations (both commercial, and non-commercial) have a direct or indirect bearing on people's standard of living. We are also aware of the fact how products/services such as sanitary napkins, electric bulbs, telephone, cars, tractors, aero planes, cinema, antibiotics, anesthesia, and birth control pill enriched human life over the period of time in terms of improved standard of living.

Let us discuss about Jaipur Foot as a brief case study and how it has been transforming the lives of hundred thousands of amputees all over the world by providing them with mobility and dignity.

Jaipur Foot was hailed by the Times magazine as among the greatest inventions of the 20th century. C.K. Prahalad rated BMVSS (a non-profit organisation located in Jaipur, Rajasthan) in his classical book, Fortune at the Bottom of the Pyramid as the world's largest organisation for artificial limbs.

The Jaipur Center was founded by Devendra Raj Mehta in 1975. Since its inception, the organisation has outfitted more than 1.50 million amputees (by 2016) around the world with a prosthetic that has become known as the JaipurFoot. BMVSS held more than 50 on-the-spot, limb-fitment camps in 27 countries across the globe. The organisation has become so successful that it has forged agreements for continuing R&D with Stanford University, the MIT, the ISRO, and the IIT, among others.

Now each year about 65,000 people all over the world benefit from the Jaipur Foot. It rehabilitated amputee's quality of life economically as well as socially.

Activity 2

Identify any five products or services introduced by Indian firms in the 21st century which have/had a tremendous impact in improving the standard of living among the people of India?

Product/Service	How Standard of Living Improved?

a._____ _____

b._____ _____

c._____ _____

d._____ _____

e._____ _____

Philip Kotler whose seminal text *Marketing Management* was first published in 1967 beautifully described the meaning of marketing in three words as **"meeting needs profitably."**

Thus the most fundamental concept, which must be realised as being the basis of all marketing activities, is the existence of human needs. It is these human needs which form the starting point for all marketing activities.

Today, if you look around, Start-ups are the order of the day. The young and progressive entrepreneurs are jumping on to this bandwagon by every passing day. You must remember that if you are an entrepreneur who wants to start a new business, you should have a product or an idea in your mind. In fact you have to decide what product/service you should manufacture and sell. How do you decide this? The answer to this question lies with you i.e. the entrepreneur has to first decide what product he should select. This is possible only if one can identify the needs, and wants which require satisfaction among human beings. Once he has identified the need of a group of human beings (called market segment), he can determine the product, which can help to satisfy that need. This is a part of the modern philosophy of marketing or the marketing concept.

1.4 NEEDS WANTS AND DEMANDS

Lets us now try to understand Marketing Concepts that are a part of the definitions: Need(s), Want(s) and Demand(s)

Need(s) Needs are the state of being deprived of something. Needs can be grouped into five categories as detailed below. Needs are not invented by marketer rather the widely known academic model of

needs was proposed by psychologist Abraham Maslow. Although this model is predominantly used in motivational studies but is also applied for studying customers' needs.

The Maslow's theory of hierarchy categorises human needs into five levels. Abraham Maslow pursued to explain why people are driven by particular need at a particular time. According to his theory, human needs are arranged in a hierarchy from most to least pressing. These include physiological needs, safety needs, social needs, esteem needs, and self-actualisation needs. Marketers need to know which specific need their brand is targeted to. Let us illustrate with some of the brands that are targeting these five levels of customer needs:

a) **Physiological needs:** Food, water, shelter – All food items from liquids to solids etc. Amul, Aashirvaad atta, Britannia, Vimal, State housing board properties fall under the purview of this category.
b) **Safety needs:** Security, protection - Insurance, Banking products, sanitizer, OTC products Vaccination and Immunization programs by the state.
c) Social needs: Sense of belonging, love - Bharat Matrimony, Social media, Netflix India etc. fall under this category.
d) **Esteem needs:** Self-esteem, recognition, status – Premium niche brands of all product categories and services, Allen Solly, iPhone, Dior, Jaguar Cars, International travel and recreation.etc.
e) **Self-actualisation:** Self-development and realisation - Teach for India, Azim Premji Foundation etc.

From the customer perspective consumer's needs can be categorized as follows:

1. **Stated needs:** Here the customer explicitly states what they want. For example, Ms Divya wants to open a bank account.
2. **Real needs:** This is more specific. Ms Divya wants to open a Savings Bank account with a nearby public sector bank in her residential locality.
3. **Unstated needs:** Ms Divya anticipates the bank to give her an International Debit Card along with a cheque book facility.
4. **Delight needs:** Ms Divya like the premises of the bank for its upkeep and neatness where the employees and fellow customers exhibit the most appropriate and decent behaviors.
5. **Secret needs:** Ms Divya is reluctant to confess that she has a negative attitude towards Netbanking facility.

Activity 3

From your recent experience of a purchase, try to clarify your stated needs, real needs, unstated needs, delight needs, and secret needs.

Product/Brand Name:

Stated needs:_____

Real needs:_____

Unstated needs:_____

Delight needs:_____

Secret needs:_____

Smart marketers should not just confine to knowing only the stated need of the customers. It is important to get deeper information to know the other needs of customers.

Want(s)

Wants are the form taken by human needs as they are shaped by culture and individual personality. These are essentially dependent upon needs. For example, a person in North India would satisfy his hunger with rajma and chawal while a person from South India would like to have fish curry and rice. This clearly explains their want(s) backed by culture and their social environment.

Demand(s)

You may want to watch the final IPL match being played abroad. The big question is do you have money and time to travel abroad to watch the match? If yes, then it's a demand. Wants backed by willingness and purchasing power is known as demand.

By and large all marketing companies from FMCG, consumer durables, to service firms firstly do try to recognize the needs and want of customers, conduct market research, obtain regular feedback and market intelligence with the help of the sales force in ascertaining the unmet customer needs and then only it will be possible to fulfill needs so identified. For example the floor managers at Big Bazaar retail outlets do mingle and interact regularly with customers to try and keep them happy.

Activity 4

The best way to understand the difference between needs and wants is to pause and reflect when you try to make your next purchase by visiting a nearby departmental store or a mall for shopping. Ask yourself the following questions while attempting to buy a specific product from the store:

a. Do I really need this?

b. What would happen if I didn't buy this?

c. What would happen if I bought a cheaper version instead?

_____

_____

_____

_____

_____

_____

_____

1.5 BASIC MARKETING CONCEPTS

As a student of marketing you should have an overall and complete understanding of all the basic and fundamental concepts in marketing. It's very much essential to have a sound knowledge of these very basic concepts for the success of the business. We have already discussed in the above section about needs, wants and the demand aspects for your understanding.

Let's now move ahead with the rest of the basic marketing concepts

Marketers:

A marketer seeks a positive response from the present and prospective customers. The response is not necessarily in terms of a purchase of a good or service offered by a marketer; it might be paying attention to the features of a product, bringing out an expected change in behaviour (for example

wearing a mask during the current times due to pandemic, wearing a helmet while driving a two-wheeler.

Customers: A firm's offerings are intended for a well identified target segment of people or organisations that we call as customers. However, there are many synonymous terms such as users, buyers, consumers, clients, purchaser, shopper, patron etc. which are used interchangeably based on the nature of the product and the service offering being adopted in marketing literature. User is a passive word that means "a person who uses something." Customer is a person who purchases something. Some firms have users who are also customers for example we use electricity and we pay for it. While some firms have users but not customers for example we use WhatsApp, but we do not pay any subscription or fee for it. There are firms that have two separate groups of users and customers. To cite an example, media firms like TV free channels which serve the audience (viewers) and advertisers (customers or clients).

Now let's see the difference between a consumer and a customer. A customer is the one who buys a product. A consumer is someone who consumes a product or service. As a customer you buy vegetables for your family till the time you buy it, you remain as a customer and the moment they are cooked and consumed by you and your family then all of you individually or collectively are consumers. Clients are persons or organisations who use services rendered by professional marketers such as advocates and chartered accountants. Similarly other terms mentioned above are used in different context and situations.

Customer Value:

When we buy a product, aren't we thinking of the benefits that a product offers to us? Yes, certainly we do imagine while buying an iPod, we buy an iPod because it not only gives good music output (benefit) but also the cool fashion statement associated with it. So it's not just the benefit it is rather the bundle of benefits associated with the product in the form of product quality, after-sales services, warranty, repairs costs, free home delivery, user friendliness etc. Customers are rational enough and would evaluate and weigh the pros and cons of acquiring a product in terms of the price they are paying for those benefits. Customer value is the difference between the value benefits the customer gains from owning a product and cost of obtaining the product. The cost of product is not limited to price but also time and energy spent on shopping. Customer value can be shown as an equation as below:

Customer Value = Total Customer Benefits – Total Customer Costs

Thus the marketer's role is to add more value to product in terms of benefits so that customer prefers the product in relation to competitor's product.

Customer Satisfaction:

Customer satisfaction is reflected in the difference between the actual performances of the product perceived by a customer vs. the expectation of the customer. Hence it's the match between customer expectations of the product and the product's actual performance.

Customer satisfaction differs from person to person it's an experience which is different for different individuals. A proper evaluation of a product or service can only be done by experiencing it. Therefore customer satisfaction is a post- purchase phenomenon. Satisfaction can only be measured by comparing pre-purchase expectation and post-purchase experience. Customer satisfaction is also the measure of success of an organization.

The equation used to determine the level of a customer's satisfaction is

Customer Satisfaction=Experience – Expectation

Markets: It's a matter of common observation that people narrowly perceive the market as a physical place where goods are purchased or sold. There is a difference between the views of an economist and a marketer. Economists consider a market as a group of buyers and sellers who handle over a specific product or product category (for instance, a paddy market or a cloth market). While Marketers view markets as people with needs to satisfy, money to spend and their willingness to spend that money. In other words, markets constitute people with the above-mentioned three characteristics.

1.6 WHAT IS A MARKET?

The term Market originates from Latin word 'MARCUTUS' which means a **place where buyer and sellers meet for business.** Traditionally, buyer and seller gathered at a specific place called 'haats'or 'melas'. But with passage of time buyers and sellers need not meet face to face for transaction; they can meet virtually through e-commerce platforms. On the basis of end use market can be of different types: Consumer Markets (FMCG-Fast moving consumer goods, consumer durables, soft goods), industrial

markets (finished goods, components and services), intermediate markets (wholesale and retail markets), geographical location (local, national, global/international markets, rural and urban market), and Non-profit and Governmental Markets (companies selling to non-profit organizations with limited purchasing power need to be price careful).

Broadly, there are four types of markets: consumer markets, business markets, global markets, and non-profit markets.

Consumer markets consist of customers of large-scale goods and services such as essential commodities, toothpastes, detergents, clothes, furniture, smart phones, banking and insurance etc.

Business markets are composed of business customers who purchase goods and services to be resold or used to make other items or services for sale.

Global markets deal with those products and services which have demand across the globe. Nike, Coca-Cola, Apple, and Colgate, to cite a few examples, have a strong presence in many countries.

While the **Non-profit markets** consist of those organisations such as religious bodies, public libraries, educational institutes and government agencies that demand a specific type of products and services. The Union government's policy of purchasing its requirements through the GeM (Government e-Marketplace) portal gives an idea of the government market.

1.7 FIRM ORIENTATION TOWARD ITS CUSTOMERS

With changing times businesses have evolved significantly and markets have transformed in line with businesses all over the world. The firms have also changed the way they deal with the market, evolving through different phases of progress. The change in the attitude and perception of people, the rapidly changing tastes and preferences and the way they live and work. In line with this change, the marketing function has come into being.

Therefore the purpose of a marketing philosophy is to identify needs and fulfill them. Therefore a marketing philosophy is a fundamental idea that guides a company's efforts to satisfy customers and achieve organizational goals. Each of these philosophies considers the interests of organizations, customers, and society at large.

Business firm's conduct their marketing activity around five marketing philosophies is as follows:

1. **Production Concept**
2. **Product Concept**
3. **Selling Concept**
4. **Marketing Concept**
5. **Holistic Marketing Concept**

The Production Concept:

Production concept lays emphasis on affordability and availability of products. Affordability is possible by reducing cost of production by producing large quantities and achieving mass production and mass consumption by reducing the prices. Availability is possible by mass distribution by making the product widely available. This philosophy states that any amount of goods produced will sell if it is available and affordable to customers.

The production concept is almost extinct now with companies paying more and more attention to the customer as the basic ideology here is customers will choose products and services that are widely available and are of economical.

Let us recall for a moment the acute shortage of beds in hospitals in many countries when Coronavirus was at its worst form. Though the production concept was considered one of the oldest and extinct philosophies, we come across some firms that follow it even now. The hospitals found it extremely difficult to meet the growing demand from COVID patients as the situation was characterized by excessive demand for healthcare facilities and services.

Another instance in many developing nations, the demand for electricity, petrol, diesel and LPG gas exceeds supply leading to shortages. So the marketers try to improve their production capacity and distribution efficiency in order to meet the under-satisfied market demand. They also try to opt for mass production which implies lowering production costs to make products or services affordable to the customers. Therefore, the firms try to maximise their output, achieve a lower unit cost and sell at a lower price. However, this concept is not the most appropriate business philosophy for an enterprise in the long run.

The Product Concept:

During production concept supply increased over demand. Therefore the low cost and availability couldn't ensure increase in sales and survival along with growth of the firm. The firm had to innovate products and offer more choices to customers which lead to product concept. This concept is based on the philosophy that consumers will prefer products that have better quality, performance and innovative features.

However, firms having this approach suffer from short-sightedness and inward-looking as they fail to understand their business in terms of the basic customer need in other words, such firms define their business from the product angle. **Theodore Levitt** called it **marketing myopia** in his classic article published in ***Harvard BusinessReview*** **in 1960**. Marketing myopia is a short-sighted and inward-looking approach that focuses on sales than consumers needs. Such businesses often overestimate their product features, and in the process, they fail to recognize or understand the needs of the customers. Successful companies focus on customer needs rather than their own products and their features. Since the focus of the companies is on producing quality products, they lose out on customers that seek inexpensive products or are influenced by availability and usability of the product.

The following are some of the examples of the companies that suffered from marketing myopia:

1) Kodak lost much of its share to Sony cameras when digital cameras became popular
2) Nokia keypad phones affected due to iPhone and Samsung
3) Bollywood focused only on movies when the television market boomed
4) Google flourished and Yahoo declined
5) BSNL suffered as it was thinking of being in the land-phone business rather than in the communication business.

Activity 5

Spot five businesses/brands which have lost or are in the process of losing their ground in the marketplace due to their myopic view of the purpose of their existence in business.

Businesses/Brands **Myopic View**

1----------

2----------

3----------

4----------

5----------

The Selling Concept:

The drastic environmental changes the rising competition with passage of time and offering innovative product thus making it available to the customers is no longer working for the firm. There was something more required then just a quality product for the survival and growth of the companies. A large number of sellers forayed into the market and started manufacturing quality product. Something more was required to persuade the customers now. Business philosophy has changed it was believed that customer would not buy or would not buy enough until or unless they are convinced and influenced to do so. Therefore, they rely heavily on selling and promotion of their offering to achieve marketing success. This approach is mostly followed in the case of unsought goods such as insurance, dictionaries, fire extinguishers and cemetery plots. Unsought goods are those the customers do not know about or do not normally think of buying. The selling concept breeds the false impression that marketing is all about selling. Just by aggressively promoting a product or with heavy price discounts, the companies may not enjoy the best of customer patronage.

The Marketing Concept:

By now customers were fed up of too much influence and interference of the salesman during purchase of products which led to unnecessary purchase that did meet customer's needs and wants. The marketing concept proposes that the success of the firm depends on how well it understands the needs and wants of the customers and how successfully it converts these needs in to products and services that will satisfy the customer's requirements.

Marketing starts before the product; service or solution is ready and continues even after the sale has been made. The company makes honest effort towards retaining the customers and also attracting new ones. Customer satisfaction is the strongest pillar of marketing where company assures that customers

are satisfied after buying a product or service. In marketing concept customer satisfaction is the focal point and all decision making based is on this premise. Accordingly all the four elements of marketing mix are intelligently developed, formulated and blended keeping the customer at the core of the business. For example if customer is in need of a pen, pencil and eraser all in one Linc pens have met that need of customers. If customers want triple door in refrigerators LG, Godrej, Hitachi companies offered them to satisfy their needs and wants. These companies spend a lot on research to understand and meet customers' requirements.

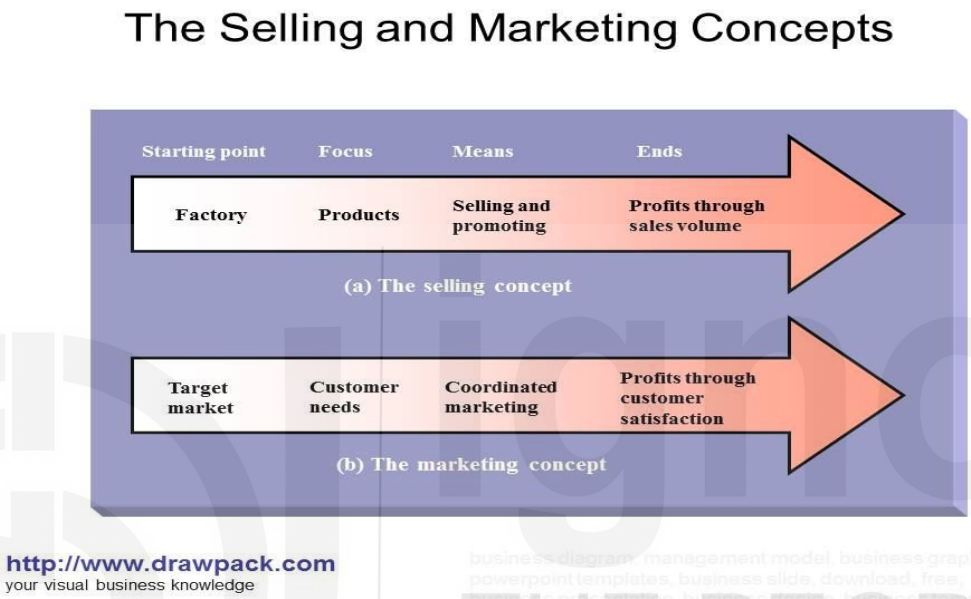
In short Selling transforms the goods into cash, while marketing aids in the process of serving and satisfying the customer needs. The differences between selling and marketing are summarised in Table 1

Table 1: Difference between Selling and Marketing

Selling	Marketing
Emphasis is on the product	Emphasis on consumer needs and wants
The company manufactures the product first and then decides to sell it.	The company first determines customers' needs and wants, and then decides on how to deliver a product to satisfy these wants.
Management is sales volume-oriented.	Management is profit-oriented.
Planning is short-run oriented in terms of today's products and markets.	Planning is long-run oriented in terms of new products, tomorrow's markets and future growth.
Stresses on the needs of the seller.	Stresses on the needs and wants of buyers.
Emphasis is on staying with existing technology and reducing costs.	Emphasis is on innovation in every sphere, on providing better value to the customer by adopting superior technology.
Views business as a goods-producing process.	Views business as consumer satisfying process
Different departments work in highly separate watertight compartments.	All departments of the business operate in an integrated manner, the sole purpose being the generation of consumer satisfaction.

Cost determines the price.	The consumer determines price; price determines the cost.
Selling views customers as the last link in business.	Marketing views the customer as the very purpose of business.

Source: Tapan K. Panda, *Marketing Management: Text and Cases, Indian Context,* second edition, Excel Books, New Delhi, India, 2007.



The Holistic Marketing Concept:

The new marketing realities confronting the marketers at the turn of two decades of the 21st century are diverse and challenging. The pace of technological changes, the impact of the global economy, ever-growing economic inequalities, climate change, environmental deterioration, public unrest, and crony capitalism became new realities of the world. The outbreak of COVID-19 at the beginning of 2020 compelled the organisations to look at the marketplace from a different perspective in an effort to reorient their strategic thinking.

Against this backdrop the holistic marketing concept developed by **Philip Kotler et al.** assumed significance. The holistic marketing concept is based on the development, design, and implementation of marketing programmes, processes, and activities that acknowledge a broad and integrated

perspective. **Figure 1** provides an overview of four broad components of holistic marketing: Relationship marketing, Integrated marketing, Internal marketing and performance marketing.

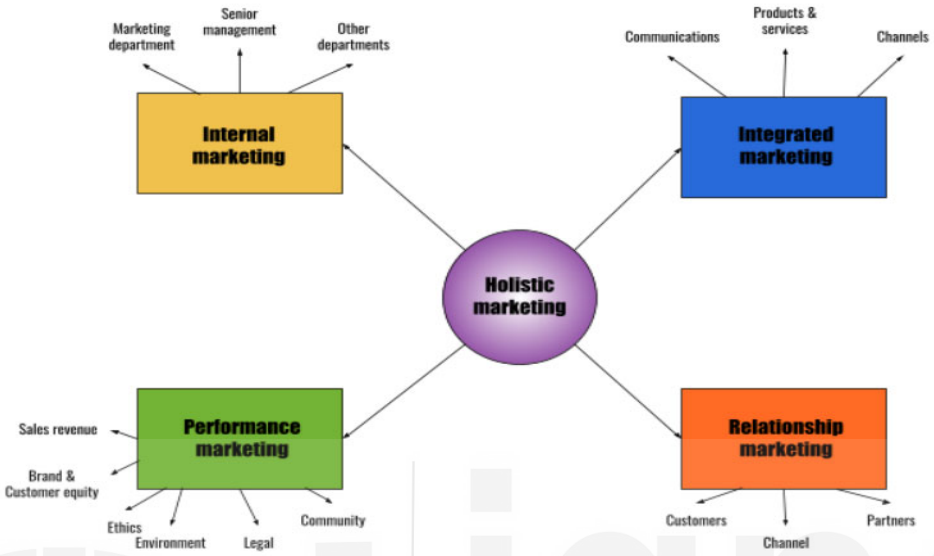


Fig. 1. Holistic Marketing Dimensions

Source: Philip Kotler et al. *Marketing Management,* 15th edition, Pearson, Noida, India, p.19.

Relationship marketing: The purpose of Relationship marketing is to develop mutually satisfying long-term relationships with the main stakeholders namely customers, employees, marketing partners (such as suppliers, distributors, and agencies), and members of the financial community (such as shareholders and investors). All such enduring relationships would create a distinctive asset for the company known as a 'marketing network' consisting of the above-mentioned key stakeholders. It is based on a simple operating principle: build an effective marketing network of long-term relationships with key constituents, and profits will follow. For example, the Swedish furniture maker Ikea has a worldwide base of loyal customers. When the company changed the font in their ubiquitous catalogue, Ikea lovers took to the Internet to air their unhappiness. Rather than alienate their customers for a trivial reason, Ikea changed the font back in the next catalogue.

Integrated marketing: Integrated marketing aims at mixing and matching marketing activities to maximise their individual and collective efforts. David Packard of Hewlett-Packard (hp) once observed that "Marketing is too important to be left to the marketing people." Organisations, for-profit as well as not-for-profit, achieve marketing success only when each of the departments works together to achieve customer goals.

It means designing the right product by R&D, providing the right amount of funding by the finance department, procuring the right materials by purchases, making the right product by the operations department, and measuring profitability in the right way by accounting people.

Peter Drucker long ago made a profound observation:

Because the purpose of business is to create a customer, the business enterprise has two – and only two – basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business.

Uber, the ridesharing app is, for example, redefining urban mobility across the world. When Uber entered India it launched an integrated marketing campaign with the idea of Apnapan (means affinity) as its core theme. The campaign aimed to build everyday brand relevance and reframe personal mobility. Uber's communication strategy was co-created with the help of amazing stories of heart-warming experiences of riders and driver-partners that took place across the country.

Integrated marketing also involves developing an integrated channel strategy. Each channel option should be assessed in terms of its impact on sales and brand equity.

Internal marketing: Marketing organisations pursue an internal marketing approach in an effort to put their employees first. The better a company treats its employees, the better it will perform in providing excellent service to customers. In this sense, the employees are treated as 'internal customers' of a company. External marketing focuses the company's strategy on the customer in marketplace; internal marketing is aimed at the internal customer (that is, employees) within the company. Thus as an element of holistic marketing, internal marketing is aimed at the task of hiring, training, and motivating able employees who want to serve customers well.

Performance marketing: Companies need to understand the broader role played by their marketing activities or strategy in generating financial and non-financial returns to business and society at large. In addition to sales revenue, market share, customer satisfaction, quality leadership parameters of performance, the company's marketing performance is often measured from the perspective of the legal, ethical, social, and environmental dimensions.

1.8 CONCEPT OF MARKETING MIX

Marketing is the process of identifying, anticipating, and satisfying customers' requirements with the purpose of making profits. This process involves the marketer to consider various marketing decisions to make the operations profitable. It is essential to identify that the required combination of marketing policies and procedures so as to adopt and bring about desired behaviour of trade and consumers at a minimal cost. They have to decide how elements of marketing, advertising, personal selling, pricing, packaging, channels, warehousing etc. be combined to make marketing operations profitable.

More specifically, they have to decide a marketing mix - a decision making method in relation with the product, price, promotion, and place.

Definitions of Marketing Mix

According to Philip Kotler, " Marketing mix is the combination of four elements called the 4P's- Product, Price, Promotion and Place that every company has the option of adding, subtracting or modifying in order to create a desired marketing strategy".

According to Kotler and Armstrong, "Marketing mix is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market".

According to W. J. Stanton, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities and the distribution system"

1.9 DEVELOPING A MARKETING MIX

Intuition and creative thinking are key requirements in developing a marketing mix. But relying only on these qualities is incorrect and can lead to inaccurate assumptions that may not provide the desired mix. To ensure that marketing mix is based on research and combines facts with innovation, a manager should go through the following steps:

Step 1

The first step on the marketing manager's list is to define the unique feature, the product offers, the customer surveys or focus groups and identify the importance of unique feature to consumers and whether they can increase the sales of the product.

Step 2

The second step is to understand the consumer that would purchase the product, what they need, what value they associate. All the other elements of the marketing mix will be designed in accordance with the customer. This understanding will enable the product offered be relevant and targeted.

Step 3

The next step is to understand the competition. The prices and related benefits such as discounts, warranties and special offers need to be assessed. An understanding of the subjective value of the product and a comparison with its actual manufacturing distribution cost will help set an ideal price point.

Step 4

At this point the marketing manager needs to evaluate the options of place to understand where the customer is most likely to make a purchase and the costs associated with using this channel. Multiple channels may help target a wider customer base and ensure easy access. A product which serves a niche market would concentrate distribution to a specific area or channel; hence value of the product is closely related with availability of the product.

Step 5

Based on the target audience and the price identified the communication strategy can be developed. The promotional methods need to appeal to the customers and ensure that the key features and benefits of the product are clearly communicated and understood.

Step 6

A last step needs to be taken at this point to see how all the elements identified and planned relate to each other. All marketing mix variables are interdependent and rely on each other for a strong strategy.

It has to be seen whether the selling channels strengthen the perceived value of the product or the promotional material supports the selected distribution channels.

1.10 ELEMENTS OF MARKETING MIX (4Ps)

McCarthy classified different marketing activities of a firm into four elements way back during the sixties which are popularly known as the Four Ps of marketing-mix namely Product, Pricing, Placing, and Promotion.

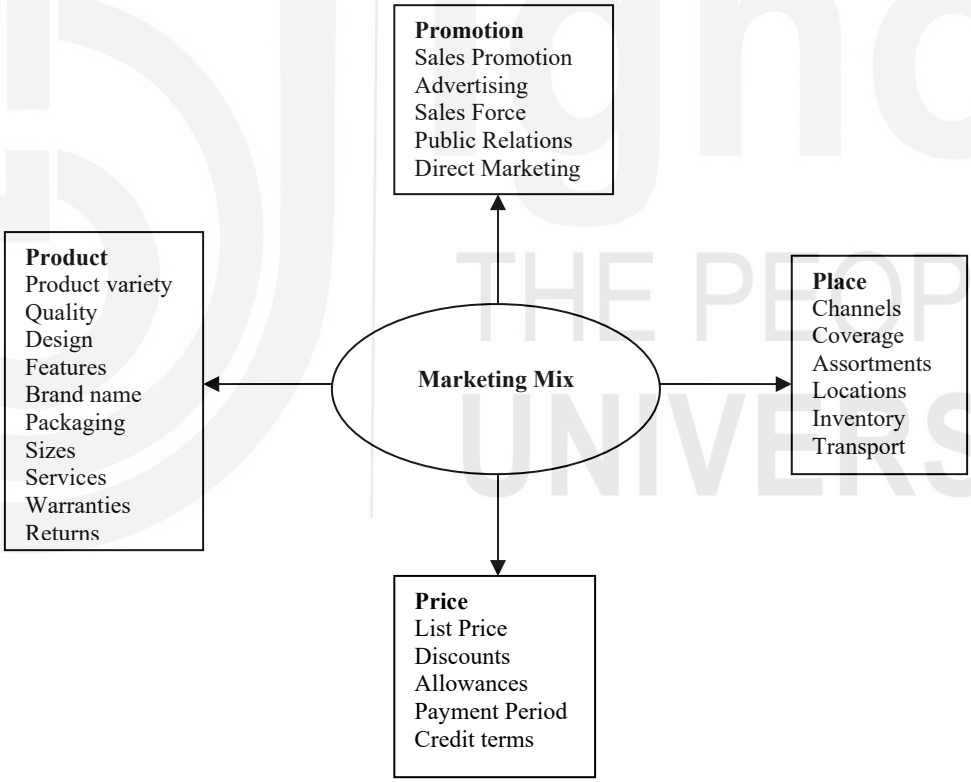
Product is the first and most important element of the marketing mix. The word product stands for goods or services offered by the company. Once the needs are identified, it is necessary to plan the product and after that keep analysing whether the product still satisfies the needs which were originally planned for, and if not, to determine the necessary changes. You will learn this in greater detail when we talk about product decisions. Product decisions involve making coordinated decisions on product mixes, product lines, branding and packaging. Products are of different types namely Non-durable, durable, and services. Companies often sell more than one brand. Brands can be differentiated on the basis of product form, features, performance, style and design, and also service dimensions such as ease of ordering, delivery, and after-sale service. The product life cycle concept enables marketers in planning, controlling, forecasting, and responding to the challenges posed by different stages of the life cycle.

Pricing is a critical element of marketing. Pricing decisions are complex and difficult decisions to make. Marketers consider many factors while making pricing decisions: the company, the customers, the competition, and the marketing environment. Pricing policy should be consistent with the firm's marketing strategy, target customers and brand positioning. Firms should follow a systematic procedure in setting pricing policies. Firms should change their prices based on the need, and they must carefully manage customer perceptions while doing so. They must predict price changes to be initiated by competitors and prepare appropriate responses.

Placing involves ascertaining the right design and combination of marketing channels and managing these integrated marketing channels. Most companies do not carry out direct marketing. Between companies and final customers stand intermediaries or middlemen such as wholesalers and retailers. Some of the important functions performed by intermediaries are information, promotion, negotiation,

ordering, financing, risk-taking, physical possession, payment, and the title. While deciding the types of channels to be used, the marketers analyse customer needs, establish channel objectives, and identify and evaluate the major alternatives. The advent of E-commerce has grown in importance and many companies nowadays adopted "brick-and-click" channel systems in addition to their brick and mortar being in place so as to capitalise on the strengths of online and offline marketing.

Promotion deals with designing and formulating an integrated marketing communication model for the business in order to communicate with present and potential stakeholders. The marketers integrate mass, non-personal communications (advertising, sales promotion, events and experiences, and public relations and publicity); and personal communications (direct and interactive marketing, word-of-mouth marketing, and personal selling). Today, interactive marketing is growing at a faster pace through the company's Websites, search ads, and e-mails.



Marketing variables under each P.

1.11 4As FRAME WORK IN RELATION TO 4Ps OF MARKETING MIX

The authors Jagdish Sheth and Rajendra Sisodia developed **4As Framework** that relates to the **4 Ps.** Marketers design the Product which mainly influences Acceptability, the Price which mainly influences Affordability, the Place which mainly influences Accessibility, and Promotion which mainly influences Awareness.

Acceptability is the extent to which a firm's total product offering exceeds customer expectations. Acceptability is the dominant component of the Framework. Customer acceptability can be enhanced by boosting the functional aspects of product design, brand image, and positioning.

Affordability is the extent to which customers in the target market are able and willing to pay the product's price. It has two dimensions: economic (ability to pay) and psychological (willingness to pay). Acceptability combined with affordability determines the product's value proposition.

Accessibility is the extent to which customers are able to readily acquire the product. It has two dimensions: availability and convenience. Successful marketers develop innovative ways to deliver both, as a shoe company Bata does online as well as through their retail stores.

Awareness is the extent to which customers are informed regarding the product's characteristics, persuaded to try it, and reminded to repurchase. It has two dimensions: brand awareness and product knowledge.)

1.12 MARKETING STRATEGY

Having now understood the importance of customer-orientation as well as the elements of the marketing mix, it should be remembered that the marketing strategy involves directing a proper marketing mix towards a target group of customers or market segment. Marketing strategy of a firm includes deciding on its Segmentation, Targeting, and Positioning (known as STP). We have already discussed these three important concepts at length in Unit 3 of this course you may kindly refer the same. However, we will confine to know in brief at this juncture for better understanding.

Customers are different in terms of their residence, educational qualifications, occupations, incomes, social class, personality, lifestyle, and their behavioural patterns. Marketers need to understand the

specific needs of the vast number of customers based on the above variables so as to group them into segments. For example, not everyone likes to pursue an MBA programme in a conventional university on a regular mode. A large number would prefer it in distance mode while some want to study in a virtual university in online mode; and still others like to study Executive MBA from any of the leading Management Institutes of the country. In fact, each of these groups of potential students constitutes a different market **Segment**. After identifying such segments, the marketers need to decide which segments provide better opportunities. For such '**Target** markets' firms develop a market offering and try to '**Position'** appropriately in the minds of prospective students to create a specific positive image about the MBA program.

1.13 MARKETING STRATEGY PROCESS

According to **David Cravens and Nigel Piercy,** the strategy process goes through the following stages:

- ✓ **strategic situation analysis**
- ✓ **designing marketing strategy**
- ✓ **implementation and managing strategy**

Strategic situation analysis

This first stage includes product-market analysis, market segmentation, competition analysis, and continuous learning about markets. Such analyses guide the choice of marketing strategy. Defining the market determines the overall competitive arena. Market segmentation identifies possible customer groups for targeting by the marketers. Competitor analysis leads to the evaluation of the strengths, weaknesses, and strategies of main competitors. Continuous learning about markets provides information for analysis and decision making.

Designing marketing strategy

This stage includes market targeting and positioning strategies, building marketing relationships, and developing and introducing new products. We will try to understand it with the help of an example discussed below.

When we think of Fevicol, the two elephants pulling a ball together with a yellow background come straight to our mind. The company's marketing strategy travelled from Bollywood leading actress dancing to the tunes of *Fevicol se* to the Prime Minister defining Indo - Japan friendship in his speech as "fevicolse bhi mazboot jod."

Founded by Balvant Parekh and Sushil Parekh in 1959, Pidilite Industries had successfully taken over the adhesive industry. How did this journey begin? The Parekh brothers snatched a marketing opportunity to develop synthetic glue in place of the natural glue which was used way back during the fifties & sixties. Instead of selling the finished product through stores, they began approaching directly to carpenters for sale. This daring step got them to build trust and outscore against competitors like Movicol which was an international adhesive brand.

Pidilite Industries offers a good example of effective marketing strategy with many successful brands and variants catering to both the domestic and as well as industrial segments. As part of implementing its brilliant marketing strategy, the company used the print and TV advertising in positioning its brands creatively with some iconic ads such as Dum Laga ke Haishaa; Moochwali etc.

The positioning strategy indicates how the firm will position itself against its key competitors in meeting the needs of the buyers in the target market. Specific marketing-mix (marketing programme) strategies for products, pricing, distribution, and promotion must be developed to implement the positioning strategy. The objective is to achieve favourable positioning while allocating financial, human, and production resources to markets, customers, and products as effectively and efficiently as possible.

Implementing and managing market-driven strategy

These activities focus on the marketing organisational design and marketing strategy implementation and control. This is the action phase of marketing strategy.

Thus strategic marketing is a market-driven process of strategy development taking into a constantly changing business environment. The emphasis of strategic management is on organisational performance rather than a primary concern about increasing sales. Marketing strategy seeks to deliver superior customer value. Strategic marketing links the organisation with the environment; it views marketing as a responsibility of the entire business rather than a specialised function.

1.14 SCOPE OF MARKETING

Do you think that the firms while carrying out their marketing efforts involve in offering only the physical products such as toothpaste or a detergent powder? In case your answer is 'yes' that would be a narrow view of the 'offerings' or 'entities' being marketed by them. In fact, organisations offer a wide range of 'products' or entities. They include goods, services, events, experiences, persons, places, properties, organisations, information, and ideas. Let us have a quick glance at each these entities.

Goods: Physical goods include agricultural commodities, fish, eggs, newspapers, chocolates, laptops, televisions and furniture.

Services: Services sector is the largest sector in the world and over 63% of the total global wealth comes from the services sector. This sector accounts for over 53% of India's GVA. Services include tourism, travel, hospitality, healthcare, education, banking and insurance.

Events: Marketers promote time-based events ranging from local events (e.g. Hornbill Festival in Nagaland, and Kerala Boat Festival) to national events (e.g. 150 Years of Celebrating the Mahatma) and international events (e.g. India International Trade Fair, and the Tokyo Olympics 2021).

Experiences: A firm can market personalised or customised experiences such as Ramoji Film City Star Experience, Climbing up the Mount Everest, and a weekend with stalwarts of cricket. Personalisation can be a huge boon for retailers and consumers.

Persons: Many companies are using personal marketing for promoting their brands. Renowned personalities market themselves as well as different products or services. Cristiano Ronaldo, the renowned football player endorsing Clear Shampoo and Nike sports shoes; famous film personalities Aishwarya Rai Bachchan endorsing L'Oreal Shampoo and Salman Khan serving as a brand ambassador of Pepsi are a few examples. Self-branding became an emerging area.

Places: Nations, regions, states, and cities compete for investments, tourists, and companies. Some of the place marketers are governments, real estate agents, and investors. Singapore's New Asia, India's Incredible India, and Mumbai's City of Dreams are a few examples of how branding is done with logo, slogan and so on.

Properties: They are either real estate or financial assets which are bought and sold. Godrej Properties and Oberoi Realty in the real estate sector, and ICICI Direct and HDFC Securities among Demat service providers are some examples.

Organisations: Museums (e.g. National Museum in New Delhi and Salar Jung Museum in Hyderabad), non-profit organisations (e.g. HelpAge India and Smile Foundation), performing arts organisations (e.g. Inspire India Programme by Shankar Mahadevan Academy, Music awards by Sangeet Natak Akademi), and corporations (e.g. Tata Motors' corporate brand promise – 'Connecting Aspirations') aim for enhancing their organisational image through systematic marketing efforts.

Information: Google became part of everybody's life as we depend on its Search for information. Google's mission is "to organize the world's information and make it universally accessible and useful." There are many such marketers like publishers, educational institutions, and newspapers which offer 'information' as their product.

Ideas: Social marketers are engaged in idea marketing. This is also known as social marketing. It is an approach used to develop activities aimed at changing or maintaining people's behaviour for the benefit of individuals and society as a whole. Swachh Bharat Abhiyan or Clean India mission is a country-wide initiative taken by the Government of India in 2014 to eliminate open defecation and improve solid waste management. The governments and health organisations all over the world tried to convince the people about wearing face masks appropriately, maintaining physical distance, and washing one's hands frequently to combat the Coronavirus is another example.

1.15 MISCONCEPTIONS ABOUT MARKETING

There are many fallacies or misunderstandings about marketing. You need to have clarity about it before proceeding further.

People are of the opinion that marketing means **selling.** Interestingly, selling is not the most important part of marketing or its sole purpose!

Many customers opine that **advertising,** the most visible part of marketing, a waste of money, thereby increases the cost of production. In fact, advertising causes building mass consumption which would ultimately lead to lowering the price of the product.

There is a misconception that marketing will not happen without **middlemen.** The truth is that we have many direct marketing companies now all over the world. For example, in India we have Amway, AVON Beauty Products, and Eureka Forbes.

There is a perception that marketing means incurring of **expenditure**; however, the truth is that marketing enables the firm to generate revenue whereas other departments in the company such as Finance, Production, and HRM are cost factors.

People also assume that marketing is relevant only to **for-profit organisations** offering products and services such as bath soaps, washing machines and insurance policies. Nowadays not-for-profit organisations (e.g. the World Health Organization, and CRY – Child Rights and You) are equally effective in following marketing policies.

1.16 SUMMARY

Marketing is a fascinating subject that combines multiple subjects such as economics, psychology, sociology, and information technology. Marketing involves choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

Marketers have been involved in marketing different entities: goods, services, events, experiences, persons, places, properties, organisations, information, and ideas. Further, they operate in four different marketplaces: consumer, business, global, and non-profit.

Organisations conduct their marketing activity around five competing concepts: the production concept, the product concept, the selling concept, the marketing concept, and the holistic marketing concept. The holistic marketing philosophy is based on the development, design, and implementation of marketing programmes, processes, and activities that provide a broad perspective of four components. They are: Relationship marketing, Integrated marketing, Internal marketing, and Performance marketing.

The Four Ps of marketing-mix namely Product, Pricing, Placing, and Promotion could be related to Four As: Acceptability, Affordability, Accessibility, and Awareness. However, a more representative set that encompasses modern marketing realities is: People, Processes, Programmes, and Performance. Strategic marketing connects the organisation with the environment. It also considers marketing as a responsibility of the whole organisation rather than a separate function.

1.17 KEY WORDS

Acceptability: It is the extent to which a firm's total product offering exceeds customer expectations.

Accessibility: It is the extent to which customers are able to readily acquire the product.

Affordability: It is the extent to which customers in the target market are able and willing to pay the product's price.

Awareness: It is the extent to which customers are informed regarding the product's characteristics, persuaded to try it, and reminded to repurchase.

Clients: They are persons or organisations who use services rendered by professional marketers.

Consumer: A person who consumes a product or service.

Customer: A person who purchases something.

Customer satisfaction: It is the difference between the actual performance perceived by a customer and the expectation of the customer.

Customer value: It is the difference between the total benefits expected from a product or service and the total costs incurred to obtain the same.

Macro or external environment: It consists of components namely demographic, economic, socio-cultural, natural, technological, and political-legal environment.

Marketer: A marketer seeks a positive response from the present and prospective customers.

Marketing environment: It consists of the task environment (also known as a firm's micro or internal environment) and the broad environment (also known as a firm's macro or external environment).

Marketing management: The art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

Marketing myopia: It is a short-sighted and inward-looking approach that focuses on sales than consumers' needs.

Marketing strategy: It consists of the analysis, strategy development, and implementation activities in developing a vision about the market(s), of interest to the organisation, selecting market target strategies, setting objectives, and developing, implementing, and managing marketing programme positioning strategies designed to meet the value requirements of the customers in each market target.

Markets: They consist of people with needs to satisfy, money to spend and willingness to spend it.

Micro or internal environment: It consists of the actors such as the company itself, suppliers of inputs, distributors, dealers and target customers.

Needs: These are essential requirements for the survival of human beings.

Supply chain management: It involves procurement of inputs such as raw materials, components, and capital equipment, converting them efficiently into finished products, and delivering them to the final buyers.

Unsought goods: The customers do not know about or do not normally think of buying these goods.

User: A person who uses something.

1.18 SELF-ASSESSMENT TEST

The following questions are given for self-assessment to find out whether you have understood and remembered the concepts presented in this unit. You are, therefore, advised to revise the unit quickly and then, on separate sheets of paper or in a notebook, write your own answers for the following questions and assess them yourself.

1. Companies are compelled to follow sales orientation because the incentives are based on easily measurable results. Do you agree? Illustrate your answer with real-life examples.
2. Though it is said that the entire organisation is responsible for its marketing performance, do you think this is not so in the case of many Indian firms? Discuss based on your experience.
3. Select any company of your choice, and discuss how the four components of holistic marketing are being pursued at it. Illustrate your answer.
4. Apply marketing myopia concept to (a) movies, and (b) print media. Discuss the implications.

1.19 FURTHER READINGS

Philip Kotler and Kevin Lane Keller (2017). *Marketing Management*, 15th edition, Pearson, Noida, India.

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Ramaswamy and Namakumari (2018). *Marketing Management: Indian Context Global Perspective,* Sage Publications, New Delhi, India.

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UNIT 2 MARKETING ENVIRONMENT ANALYSIS

Objectives

The objectives of this unit are to:

- appreciate the vital role and impact of environmental analysis on the business
- understand the macro forces of marketing environment and their significance
- identifying the elements of micro environment within the firm
- ascertain the new Indian consumer in the vibrant marketing environment
- know the meaning, scope and procedure of conducting marketing research

Structure

2.1 Introduction

2.2 Changing Role and Impact of Marketing Environment

2.3 Demographic environment

2.4 Economic environment

2.5 Socio-cultural environment

2.6 Natural environment

2.7 Technological environment

2.8 Political-Legal environment

2.9 Micro Marketing environment

2.10 New Indian consumer in vibrant marketing environment

2.11 Marketing research

2.12 Meaning and scope of marketing research

2.13 Marketing research procedure

2.14 Marketing research in India

2.15 Summary

2.16 Key-Words

2.17 Self-Assessment Questions

2.18 Further Readings

2.1 INTRODUCTION

Human beings and all other living creatures live and survive in certain environs suitable and conducive for their existence and would also adjust and accommodate from time to time according to the prevailing climate and weather conditions at a given place or location. Businesses are no exception in this regard. Every business should indentify and consider the most conducive environment both external as well as internal factors that should enable them to run the business in the most profitable manner with customer at its core for growth, development and sustainability.

Marketing is conducted outside the four walls of the company. Thus it becomes even more mandatory for initiating a thorough analysis of the marketing environment of a firm in which it operates. Which is aimed at identifying changes, trends, opportunities and threats if any? This is also known as environmental scanning. In other words, scanning of marketing environment helps to identify the strengths and weaknesses of a company, and opportunities and threats posed by the external environment. The strengths and weaknesses of a firm imply its internal abilities and limitations.

You might be thinking that such analysis would simply tell you what could go wrong; however, it can do much more. As a marketer, you cannot control any of the major forces, but the environmental scanning would enable your company to review and revise and to respond and adjust its decisions in tune with the unmet needs and changing trends. Marketing organisations miss many opportunities by foregoing environmental analysis.

As a marketer, you must monitor six macro factors/forces which are external to the firm per se. They include demographic, economic, socio-cultural, natural, technological, and political-legal. We will take you through these critical factors/forces that play a key role in nurturing the business in general and marketing effort in specific. Each of these factors does influence each other on the overall scheme of things.

The marketing environment is the combination of the microenvironment and macro environment.

According to Philip Kotler, “A company’s marketing environment consists of the internal factors and forces, which affect the company’s ability to develop and maintain successful transactions and relationships with the company’s target customers”.

According to Pride &Ferrell, “The marketing environment consists of external forces that directly or indirectly influence an organization’s acquisition of inputs and generation of outputs”.

2.2 CHANGING ROLE AND IMPACT OF MARKETING ENVIRONMENT

“We are watching the dinosaurs die, but we don’t know what will take their place,” commented Lester Thurow, an economist once at MIT.

Let us try and understand the above statement with the following example. Until the 1990s, the Indian telecommunications was the domain of the Department of Telecommunications under the Union government which provided basic telephony. The telecom sector had witnessed drastic changes with the opening of the economy. With the onset of Liberalisation, Privatization and Globalisation (LPG) coupled with the technological breakthroughs brought new players in the private sector of the telecom space into the market with new brands of telecom products and services.

With the creation of the Telecom Regulatory Authority of India (TRAI) as a regulator in the country, the Bharat Sanchar Nigam Limited (BSNL) has been created as a full-fledged company to take competition head-on. As a result, now the Indian customer has more brand options to choose from; mobile phones became common man's products; the prices of telecom services have been slashed; and in the process, the landline phone became the example of a dinosaur in the Indian corporate world! ***This exemplifies the diminishing role of the government-owned BSNL in the telecom industry which had invested heavily in the landline phone technology thereby not being able to respond to the drastic changes that were taking place in the external environment***.

Therefore, it is essential for marketing organisations to learn how to predict, understand, and adapt to the changes in the dynamic environment through appropriate marketing decisions in terms of product, pricing, placing, and promotion or marketing communications mix.

By the turn of the second decade of the 21st century, it is apparent that organisations started facing unprecedented challenges in marketing to cope with global competition, technological revolution, turbulent markets, and escalating customer aspirations for a better quality of life, ever-growing inflation, climate change, and sudden health calamity triggered by the outbreak of COVID-19 pandemic across the globe.

Among the challenges so mentioned above let us take COVID-19 as an example which had affected the entire universe despite the virus being invisible to the naked eye. Corona virus had impacted our lives irrespective of caste creed religion race etc. Thus impacting and destabilising normal human life with fear and agony is one side of its existence. The other side of the pandemic due to the virus is an increase in the area of digital consumption among customers in every arena from streaming entertainment to online purchases. As a result, the magnitude of digital marketing has increased manifold to reach out to both new and existing customers. This has led to the adoption of increased digital marketing campaigns/promotions to enhance and speed up sales.

The CRITEO report on COVID-19 Impact on India reveals that 40% of marketers attributed the pandemic to the accelerated digital transformation of their business processes. One in every two marketers increased their digital marketing spends during the pandemic despite revenue losses. 55% of marketers confirmed that they made significant changes to their marketing strategies during the pandemic. They also planned to allocate more spends on social media, content marketing, paid video and retail websites/apps advertising. That means

the pandemic compelled many marketing organisations to revisit their approach towards their marketing effort.

This unit will specially focus on the understanding and analysis of the marketing environment in which the firm operates from the Indian context.

The beginning of environmental analysis commences with a Marketing Information System (MIS) department/arm should be in place within the organisation. The role of MIS is to assess the information needs of managers, develop the needed information, and distribute that information in a timely manner. The outputs or reports emanating from the MIS can be classified into periodic reports, triggered reports, demand reports, and specialised databases etc. In recent times, data warehousing and data mining are concepts that gained popularity in relation to processing, storing, unearthing and utilising information. Quite often companies require information for solving a specific marketing problem. Marketing research reports and information does offer the needed information. Marketing research not only creates marketing information but also uses it as its input. The importance of marketing research and its linkage with environmental analysis thus becomes obvious and is discussed at the end of this unit.

In the beginning we made a mention that every business whether small, medium or large and irrespective of the nature of their businesses should judiciously scan and monitor six macro factors/forces of external environment which are mentioned below:

THE MACRO ENVIROMENT OF MARKETING: Includes the following

- Demographic factors
- Economic factors
- Socio-cultural factors
- Natural factors
- Technological factors
- Political-legal factors

2.3 DEMOGRAPHIC ENVIRONMENT

Demography is a study of the population. People constitute the markets. Therefore, marketers are interested to understand the changing composition of people in terms of size and rate of growth in different regions, cities, towns, and rural areas. They want to know the age distribution of people, educational levels, and household patterns. Composition of the workforce, occupation-wise, and religious background of people is also an important part of the demographic environment.

The following statistics provide some interesting perspectives about the demographic characteristics of the world from a macro angle:

If the world were a village of 100 people:

- 60 people would be Asian, 15 would be African, 11 would be European, nine would be South American, and five would be North American.
- 12 people speak Chinese language, five speak Spanish/English, three speak Arabic/Hindi/Bengali/Portuguese, two Russian/Japanese, and the remaining 62 people speak different other languages.
- 33 people would be Christians, 22 would be Muslims, 14 would be Hindus, seven would be Buddhists, 12 would be non-religious, and 12 would have faith in other religions.
- 17 people would be illiterate, 26 people would be under 14 years of age, and eight people would be above 65. The number of males and females would be equal.
- 51 people live in urban areas and 49 in rural areas. 78 people would have access to electricity and 22 do not have. 13 people would not have access to safe drinking water.
- 75 people would have cell phones, 30 would be active Internet users, and 22 would be owning or sharing a computer.
- 48 people would live on less than $2 US dollars per day. One out of two children would live in poverty.

Source: 1. https://m.timesofindia.com/india/what-india-would-be-like-if-only-100-people-lived-in-the-country/amp_articleshow/59437987.cms

2. https://www.google.com/search?q=Population+of+India+by+religion

3. https://www.google.com/amp/s/www.buzzfeed.com/amphtml/shayanroy/if-india-had-100-people

The above statistics would offer some vital and insightful information to marketers to pursue in their decision making process.

From a marketing perspective, India is the second-largest market in the world, next to China. India is projected to surpass China to become the world's most populous country by 2024. By 2030, the country is expected to be home to more than 1.5 billion people; India's population is expected to reach 1.7 billion by 2050.

With regard to the age composition, India has more than 50% of its population below the age of 25. Two out of three Indians are below the age of 35. The average age of an Indian was 29 years in 2020; it was 37 for China and 48 for Japan.

India has more than 2,000 ethnic groups. More than 19,500 languages are spoken in India as mother tongues. There are 121 languages that are spoken by 10,000 or more people in the country. The life expectancy for India in 2021 is 69.96 years.

An Example of India's Young Customers

India has a relatively younger population compared to many countries. A survey on *The Next Normal: The Rise of the Contactless Economy* conducted by the Data Sciences Division of the advertising agency, Dentsu India in metros and cities in 2021 highlights some of the following:

- Seven out of 10 young consumers were ready to buy a less-known brand with a preference for local brands in categories of Fast Moving Consumer Goods (FMCG), personal and home care, health products and apparel.
- Millennial (aged 25-39 years) and Gen Z (aged 5-25 years) audiences lean towards local, socially and environmentally sustainable choices.
- The young customers prefer products that use organic and ayurvedic ingredients in the personal care category.
- A vast majority of them want to spend a higher amount on sanitisation and immunity products due to the impact of the COVID-19 pandemic.
- As a result, they prefer brands such as Dabur Chyawanprash, Revital, Patanjali, and Himalaya Vitamins.
- Lockdowns and restrictions fuelled the online economy. For example, in the banking sector, about 60% of transactions of customers were fulfilled via virtual wallets, 23% via credit and debit cards and the rest via cash.
- Digital payments platform Google Pay enjoys the lion's share of online payments, followed by Paytm.
- Groceries and snacks witnessed a threefold rise in online deliveries. Food delivery is largely online.
- Apparel, footwear and jewellery purchases are largely offline.

2.4 ECONOMIC ENVIRONMENT

Marketers should keep track of and monitor the purchasing capacity of their customers. The purchasing patterns and power of people depends on factors such as their income, savings, inflation, and availability of credit etc.

The economic reforms adopted in 1991 are applauded for the high economic growth seen during 1991-2011 and substantial reduction of poverty from 2005 to 2015. However, the Indian economy was failing to generate sustainable livelihoods for the workforce.

Table 1 gives an overview of some of the major changes that took place in India's economic front between 1991 and 2021. Out of 510 million of the workforce in India, a vast majority of

them are working in the private, informal sector. About 65% of India's population in 1991 depended on agriculture for livelihood; however, in 2021, the agricultural sector provided livelihood only for 40% of people. The share of services in GDP rose to 54.27% in 2021 from 43.2% in 1991.

Table 1: Major Changes in Indian Economy between 1991 and 2021

	1991 March	2021 March
GDP in current prices (crore Rs)	5,86,212	1,18,74,000
Share of agriculture in GDP (%)	31.6	16.38
Share of services in GDP (%)	43.2	54.27
Share of industries in GDP (%)	25.2	29.35
Total foreign exchange reserves (billion $)	5.8	592.89
Imports (crore Rs)	32,558	29, 09,827
Exports (crore Rs)	43,198	21,51,771
Gross fiscal deficit (crore Rs)	44,632	18, 48,655
Union government's loans (crore Rs)	4, 27,397	1, 14,39,492
No. of reporting banks	276	222
No. of bank branches	60,220	1,58,386
Savings in bank deposits (crore Rs)	56,902	43,50,746
Bank interest on deposits (%)	11-14	3-6
Stock market capitalisation (Rs lakh crore)	5.74	405.25

Source : Compiled from different sources.

COVID-19: Impact on the Indian Economy:

The Coronavirus pandemic affected the Indian economy severely. The following points highlight the immediate impact of COVID on the economy:

- Largest GDP contraction
- Sharp rise in unemployment
- Stress on supply chains

- Decrease in government income
- The collapse of the tourism and hospitality industry
- Reduced consumer activity

As a result, major companies in India such as Larsen & Toubro, Bharat Forge, Ultra Tech Cement, Grasim Industries, Aditya Birla Group, BHEL and TATA Motors temporarily reduced operations significantly.

Here are five sectors that have been hit the hardest by the second wave of COVID-19, according to *India Today* (April 30, 2021):

Hospitality Sector: This sector includes many businesses like restaurants, hostels, services apartments, pubs and bars. The consequence will be a massive spike in unemployment.

Tourism Sector: The hospitality sector is interlinked to the tourism sector. The tourism and travel sector that employs millions of Indians contributes nearly 7% of India's GDP. It comprises hotels, home stays, holiday homes, motels and boarding and lodging etc this is likely to have a shocking impact on households' incomes as the result will be rise in unemployment status.

Aviation and Travel Sector: Aviation, Railways, State Transports and other private transport operators and establishments experienced a 50% reduction in the first two waves. People were scared to step out of their homes. Till people gain the confidence to opt for such services, the outlook for the travel and transport sector does look bleak.

Automobile Sector: Since automobiles are discretionary products, vehicle sales largely depend on consumer sentiments. The demand for non-essential products continued to fall further.

Real Estate and Construction Sector: As a large number of migrant/guest workers left urban/cities areas, it hit both housing and construction projects. Construction sites were operating with roughly half the strength. Builders were also facing material shortages due to the restrictions imposed during pandemic.

2.5 SOCIO-CULTURAL ENVIRONMENT

Socio-cultural environment is composed of culture, social class, traditions, beliefs, values and lifestyles of the people in a given society etc.

(Unit-4 of this course will give you an exhaustive and deeper understanding of the these variables)

In Indian culture some of our cultural values are deep-rooted. They are known as core values. For example, believing that children should get an education is a core value. It is not easy to change the core values. The secondary values are subject to change. For example, believing that the children should get education from expensive schools located in posh areas is a

secondary value. The marketers try to influence such secondary values of their target customers to some extent through marketing efforts.

Activity 1

1. Try and identify any five core values along with the secondary values of people in your location /city/district/town/village etc as per your observation.

Core Values **Secondary Values**

a.----------

b.----------

c.----------

d.----------

e.----------

Social class is an important concept and every society is composed of different social classes. It is determined by the type of income, residential location, and type of occupation and so on. Each social class normally exhibits a specific pattern of behaviour and lifestyle.

We all know that India is known for its diversity in terms of religions, languages, traditions and customs. Such a variety is reflected in the way people behave, their food habits, clothing and their choices of goods and services etc. Indian society in general is known for having a strong family system. However, in recent times, many changes took place in the cultural arena due to the impact of media, growing exposure to western lifestyles, the popularity of the new media (also known as social media), growing urbanisation, and the globalised world. Women's education, employment opportunities in emerging industries, growth of services sector, and ever-expanding segment of middle class led to major cultural shifts or swings. The marketers look for such cultural shifts while conducting an environmental analysis. This would enable them to trace out the marketing opportunities or threats impacting their business.

Despite the impact of globalisation, western lifestyles and such factors, some Indian companies tried to appeal to the customers by intelligently using cultural or ethnic aspects. ***Robin Blue*** liquid from Reckitt & Benckiser offers a blue tinge to white clothes. ***Himalaya*** products meant for personal care and healthcare are positioned based on Ayurveda, a traditional and alternative system of medicine. ***Parachute*** hair oil brand has several variants which includes "hot oil". It contains herbs that provide heat when the oil is applied. ***Quaker Oats*** brand's timing of entry was in tune with the health and fitness culture sweeping urbanites. Hindustan Unilever repositioned its bath soap ***Lifebuoy*** with family imagery. **Lux** brand is associated with celebrities; ***Hamam*** brand built around the family. The changing socio-cultural milieu provides many cues for the marketers in India to harness business opportunities.

2.6 NATURAL ENVIRONMENT

The environmental analysis must also involve the study of natural resources, ecology and climatic conditions in a state/country where the company operates. Corporate environmentalism calls for the integration of environmental issues into the firm's strategic marketing. Such environmental issues include:

- Availability of raw materials is critical to the functioning of a firm
- Cost and price structure of raw materials
- Availability and cost of energy
- Environmental pollution, protection of wildlife, and ocean life
- Environmental regulations and the role of environmental activists
- Impact of climate change on the firm and ecological balance

India is known for its rich natural resources like iron, coal, minerals, rivers, ocean wealth and good rainfall. Industrial production in the country has grown by more than 50-fold over the past century. The Central Pollution Control Board (CPCB) identified 17 categories of most polluting industries that cause environmental degradation leading to health hazards About 77% of the industries contribute to water pollution while 15% to air pollution and the remaining 8% to both air and water pollution.

According to a report published in *DownToEarth* (June 6, 2019), both surface and groundwater resources are under stress in India. There has been a 136% increase in the number of Grossly Polluting Industries (GPI) between 2011 and 2018. Around 84% of GPIs were located in four states: Uttar Pradesh (1,079), Haryana (638), Andhra Pradesh (193), and Gujarat (178). GPIS are industrial units that discharge more than one lakh litres of wastewater and/or hazardous chemicals into the rivers. They include pulp and paper mills, distilleries, sugar mills, and textile units.

According to the National Mission for Clean Ganga (NMCG), the industrial pockets in the catchments of Ramganga and Kali tributaries and in Kanpur city are significant sources of industrial pollution. The major contributors are tanneries in Kanpur; and distilleries, paper mills and sugar mills in the Kosi, Ramganga and Kali river catchments. Amongst these, the sugar industry is the key violator. Several sugar mills in the region were asked to close down until they meet all the pollution control norms specified by CPCB. This is only an example that underscores the importance of being ethical and legal while conducting business activities.

2.7 TECHNOLOGICAL ENVIRONMENT

Take any sphere of life, the new and emerging technological changes influenced it tremendously - be it personal life, corporate life or social life. As we are aware, technology today emerged as the driving force impacting the marketing environment.

Technology has revolutionised the production processes, use of new raw materials, and logistics. Information technology also has a profound influence on business firms and their final products. As individual customers, the way we enjoy entertainment, music, and our access to education, healthcare - technological innovations impacted all such fields.

Activity 2

1. "Technology has revolutionised the production processes, use of raw materials, and logistics." Give a few examples.

How Technology impacted:	**Example:**
Production processes	a.
Use of raw materials	b.
Logistics	c.

Activity 3

1. Netflix is an example of creative destruction having overthrown disc rental and conventional media industries. Give five such examples of creative destruction as per your observation from the recent past.

a. ----------

b.----------

c.----------

d.----------

e.----------

Digital Technology: A Marketing tool.

Traditionally, marketers used to reach their customers primarily through print, TV and radio commercials. We all know that the Internet and Email became more popular in recent times in marketing communications. In other words, most marketers today, use a combination of traditional media (e.g. the newspaper ads, TV commercials and outdoor advertising) and digital media (e.g. Emails, social media, Google ads).

New technologies like Artificial Intelligence (AI), and the Internet of Things (IoT) enabled the customers to use an app from a mobile device to control a product (for example, IBELL

Robotic Vacuum Cleaner). Further, voice assistants like Alexa would help answer the questions on demand. The impact of digital technology on the marketing practices of a firm will continue to grow in the years to come.

The marketers should monitor the major technological trends in the process of environmental scanning:

- Artificial Learning and Machine Learning
- Robotic Process Automation (RPA)
- Edge Computing
- Quantum Computing
- Virtual Reality and Augmented Reality
- Blockchain
- Internet of Things
- 5G
- Cyber Security

2.8 POLITICAL-LEGAL ENVIRONMENT

Companies operate within the framework of the prevailing political and legal environment within a state or a country in which they function. The economic environment is a by-product of the political system of a country. Not only that. In fact, political decisions influence the adoption of new technologies and the socio-cultural factors in the country.

Some of the factors concerning the political environment are the form of government adopted by the government, political stability, social and religious organisations, media and special-interest groups and lobbying.

Marketing organisations must understand and adapt to the legal framework related to their industry. Broadly, the legal structure in any economy deals with the issues related to corporate affairs, environmental protection, competition laws, taxation laws, consumer and employee protection, regulations of products, pricing, distribution, and promotion, and protecting the domestic industry.

A Recent news report:

According to a news report published in *Business Standard* (dated December 31, 2019), 2019 proved a rather challenging year for India from the viewpoint of the economy. While sectors like automobile, real estate and aviation suffered a demand slowdown, banking and financial services were weighed down by ballooning bad loans, the Non-banking Financial Companies (NBFC) crisis and a general credit squeeze. The telecom sector also suffered a major setback as their dues to the government came to Rs. 1.3 trillion after the Supreme Court's adjusted gross revenue order.

Here is a list of key policy decisions that affected the Indian economy in 2019:

Corporate tax rate cut: In the biggest corporate tax reduction in 28 years, the government reduced it from 30% to 22% and to 15% for new manufacturing companies.

Rs.25,000-crore real estate fund: The government approved a Rs.25,000-crore fund for the real estate sector. This move is expected to aid the completion of over 1,600 stalled housing projects.

Bank recapitalisation: The government decided on the capital infusion of Rs.70,000 crore into Public Sector Banks (PSBs), to boost lending and improve the liquidity situation.

Changes in FDI rules: The government allowed 100% foreign investment in coal mining and contract manufacturing. Further, the government eased sourcing norms for single-brand retailers and approved 26% foreign investment in digital media.

The PM-KISAN scheme: Under this, the government disbursed around Rs.36, 000 crore to 140 million beneficiaries as of December 2019.

Merger of banks: To revitalise the banking sector, the government took a decision to merge PSBs and reduce their number from 27 to 12. The government decided to merge 10 PSBs into four entities.

Privatisation of CPSEs: The government initiated the process to privatise a number of Central Public Sector Enterprises (CPSEs), including Air India. It set an all-time high disinvestment target of Rs.1.05 trillion.

Angel tax exemption: The government exempted all eligible start-ups and their investors from angel tax.

Amendments to the IBC: The government made major changes to the Insolvency and Bankruptcy Code (IBC). It would enable to enforce a strict 330-day timeline for the insolvency resolution process.

Activity 4

1. From the customers' angle, briefly state how any three of the above policy decisions of the government initiated in 2019 impacted the marketing activities of a company and/or industry in subsequent years.

Policy Decision	**Impact on a Company/Industry**
a.----------	a.----------
b.----------	b.----------
c.----------	c. ----------

2.9 MICRO MARKETING ENVIRONMENT OR INTERNAL ENVIRONMENT

As part of environmental analysis, as a marketer, you should understand the strengths and weaknesses by making an objective assessment of internal/micro factors specific to your business or company. Let's briefly discuss the elements of the task (internal or micro) environment.

The consumer: In the preceding unit, we discussed the importance of customers while describing the philosophies of marketing management. The root cause for the marketing failure of any product or service lies with the firm's inability to understand and seek insights to the customer needs and wants. In the case of entertainment, garments, cosmetics, and personal care products, the tastes and preferences of customers keep changing with passage of time on a continuous basis. Companies who devote the required efforts to study the factors related to their customers better than their competitors would be more successful in achieving the marketing objectives. Some of such factors to be monitored are: identifying the right customers in terms of the needs to be satisfied; their purchasing power; buying behaviour; brand switching behaviour etc.

Suppliers: Suppliers play a key role in the success of any business. The task of supplying the right raw materials of good quality at right price and other inputs to the firm is of utmost importance which has a direct bearing on the marketing performance of a business. Firms have to closely monitor the supplier environment as any change in the business practices of suppliers has serious implications.

Intermediaries: There is no business which can operate without an intermediary or a middleman. These are middlemen who function as an independent organisation operating between the suppliers and the marketing organization on one hand, and the marketing organisation and the final customers on the other.

Competition: Environmental analysis is incomplete without analysing industry level competition. Each industry is different from other in terms of the number of firms that exist, the type of products offered by them, the entry and exit barriers, government policies and regulations which are specific to a given industry. Industry-competition analysis serves as a basis for strategy planning formulating and implementation.

The differences between macro environment and micro-environment may be relevant to identify in the following table:

Point of difference	Macro-environment	Micro-environment
Meaning	External environment of an organization.	Inter environments of an organization.
Nature	Very complex.	Less complex to perceive.
The task of the marketer	Marketer interacts with, the elements prevailing outside the organization.	The marketer interacts with other functional areas of the organization.
Extent of control	Factors remain beyond the control of marketers.	Factors may be controlled to a large extent by a marketer.
Impact	It creates a huge impact on shaping marketing decisions.	Remains comparatively independent in shaping marketing decisions.
Function	Factors may create an opportunity or pose a threat to the marketing activities of an organization.	Factors reveal the capabilities of an organization to exploit the opportunities or to combat the threat through its marketing activities.

2.10 CHANGING MARKETING ENVIRONMENT Vs NEW INDIAN CONSUMER

A discussion on the marketing environment will remain incomplete without robust grasp of the contemporary developments in the Indian context. Though we did make some references to the Indian context while discussing environmental analysis so far, given the overall purpose of this Unit, we need to highlight some of the far-reaching changes that are taking place in the Indian marketing environment before moving forward.

Heterogeneity:

India, as we discussed earlier, is an example of a highly diversified country. This diversity in terms of geographical conditions, demographic factors, economic conditions, socio-cultural differences etc. would provide ample marketing opportunities as well as pose serious

challenges to the firms. Broadly, we may classify India as Urban and Rural (often described as 'Bharat') but they do not constitute two mutually exclusive parts of the market.

It is generally perceived that Urban India is totally well-off while Rural India is not so well-off. There is a misnomer that urban India represents the rich class while rural India the poor class of the society. In fact, there are many studies that describe the existence of a higher degree of purchasing power in many parts of rural India, and also a vast number of people in urban places who are struggling to make both ends meet. In other words, within urban India, there exist many variations, and the same is the case with rural India. In brief, we can assume that there are many India's within rural India so also in urban India.

Exhibit 1 gives an overview of India's demographic characteristics:

Exhibit 1

India is the second-largest country in the world. Though the country's population growth rate has declined significantly over the last few years, it is still growing faster than China. India is expected to surpass China by 2026 when both countries will have about 1.46 billion people. After 2030, India is expected to be the most populous country in the world. The census 2021 nationwide exercise is delayed due to the COVID-19 pandemic.

Based on estimates of the United Nations data, as of July 1, 2021, India has a population of 139.34 crore. There was one birth every second and one death every three seconds. One of every six people in the world lives in India. India's largest city is Mumbai with a population of 12.69 million, followed by Delhi, with a population of 10.92 million. Overall, there are more than 50 urban areas in India with a population of more than one million people. In Mumbai, almost half of the people live in slums, and the poverty rate in the city is four times the national average.

India has more than 50% of its population below the age of 25. One-third of the population was below the age of 35. In 2020, the average age of an Indian was 29 years, compared to 37 for China and 48 for Japan. The number of children in India peaked more than a decade ago and is now falling. The number of Indians under 15 years of age peaked slightly later in 2011 and is now also declining.

Religion-wise, approximately Hinduism accounted for 79.8% of the population; Islam accounted for 14.2%; and some other major religious groups in India are Christians (2.3%), and Sikhs (1.7%). The population of India speaks different languages to converse across the country. Hindi and English are the official languages of the Indian government. Hindi is the most spoken language in India with 41% of the population being first language speakers; the other 59% of the population speak over 30 different languages.

Shift of sellers' markets into buyers' markets:

Have you ever heard of the 'wait-list economy'? A few decades back, customers in India had to wait for a long time for getting certain products/services. Critics often lament the Indian

economy as a 'wait-list economy' as the economy was characterised by the shortages of products and services, and the sellers used to exploit such a monopoly situation to their advantage. In sellers' markets, the buyers suffer due to weak bargaining capacity. However, the situation started improving in favour of the buyers, especially since 1991. In other words, the economic reforms adopted by the country since 1991 led to the availability of a number of products and services in most of the segments. Customers no longer have to queue up for products. Buyers became powerful by enjoying better choices and improved bargaining power.

Let's look at some instances in the past

Landline Phone connection to the Smartphone revolution:

Historically, the landline phone connection was considered as a luxury. It use to take more than one year to get a telephone connection and maybe another year to get an import license for a computer in the 1980s. The advent of mobile phones triggered dramatic changes in the telecom segment. Within a decade of its introduction, mobile phones in India crossed the 100-million subscriber mark in 2005. Very few products or services attain such a remarkable speed in popularity in a short span. The fixed landline phone as a product could not witness such type of product adoption by the customers, and it took more than 100 years for the number of land line connections to reach the first 10 million figure. Interestingly, even the number of land phone connections crossed the 100 million mark in 2005, mainly due to the liberalisation policies of the government. By 2008, India displaced the US to take the second rank in the world in a number of mobile subscribers with 260 million.

The rising demand is sustained by cheaper Internet tariffs which paved way to e-commerce in India, and the influx of Chinese smart phones. Besides, in 2016, Reliance Jio entered the market, triggering a reduction in data prices, further accelerating the demand and increased sales for Smartphone adoption.

The rapid pace of digital adoption:

India's fast pace and scale of digital adoption are driven by a combination of supply factors (falling bandwidth prices, low mobile device prices, rapid rollout of 4G, aggressive navigation of mobile technology) and demand factors (rising affluence, fast mobile technology adoption across demography). This rapid digital adoption is driving a "mobile-first" ecosystem, with mobile at its heart, as observed by the World Economic Forum in 2019. The Mobile-first approach means the practice of designing and/or developing an online experience for mobile before designing for the desktop web or any other device. Coupled with India's track record in *jugaad* or frugal innovation, digital adoption has the potential to create massive disruption in consumption. This Hindi word *jugaad* found a place in the Oxford English dictionary which means "A flexible approach to problem-solving that uses limited resources in an innovative way."

Mobile phone is both a social enabler and also very a personal gadget. You have all the information, prices and connections available, right at your fingertips. It allows consumers to

stay connected with the world all the time. The Indians are found to be spending much more time with their smart phones rather their families or dear ones.

The fastest-growing App market: The Indian Scene

India's app market leads the world in terms of installs; there were more than 28,450 Indian publishers on Google Play by the turn of 2020. According to an estimate, over 19 billion mobile apps were downloaded by the Indians in 2019, compared to only over six billion in 2016. People in India spend 93% of all Internet minutes via mobile.

Below are a few reasons you need to know to understand India's growing mobile market:

- The multi-purpose super-apps like Truecaller are trying to broaden their audience and keep users engaged with their app for as long as possible. The objective is to hold customers' attention and monopolise a user's activities on their mobile devices.
- 45-55% of companies' digital advertising budgets are spent on mobile, and this is projected to increase to over 65% by 2022. Four out of five businesses use video as a marketing tool.
- Some of the most popular apps in India's mobile market for Android and iOS are Whatsapp, YouTube, Instagram, Facebook, Truecaller, and Snapchat.
- By the end of 2021, India is projected to have 310 million active gamers in a market worth $1billion. COVID-19 pandemic accelerated the popularity of this app vertical, as users were confined to indoors.
- As more users were unable to use the gym due to the pandemic, fitness apps saw an increase of 40% in time spent on weight loss and fitness apps.
- News apps in India have found their niche by offering different formats to reach out to a wide audience. Some popular news apps are Inshorts, TOI, Dailyhunt, JioNews and Knappily.

Growth of the E-commerce in India

India's e-commerce sector is expected to reach $99 billion by 2024, according to a report published by EY-IVCA Trend Book 2021. Grocery and Fashion/Apparel are expected to be the key drivers of the growth. India will have 220 million online shoppers by 2025. The government is aiming to build a trillion-dollar online economy by 2025 through the Digital India programme. The online retail business is estimated to be 25% of the total organised retail market and is expected to grow further, especially in Tier 2 and 3 cities, and towns. This could serve as a big market for native start-ups to tap in.

At the same time, there have been many initiatives of the government such as Start-up India, Digital India, Skill India, Innovation Fund, and BharatNet that would enable to boost the e-commerce sector. In addition, there has been a significant influx of capital in the B2C (Business-to-Consumer) model, primarily to support the supply chain, global expansion, acquisitions and to bring innovative product offers to the market. The B2C business model is

one in which a company sells a service or product directly to a consumer. Amazon, eBay, and Netflix are a few examples. The growing B2C e-commerce scenario in India is attracting attention and key investments from global firms.

Some of the leading e-commerce companies in India are Amazon India, Flipkart, IndiaMart, Myntra, Aliexpress, MI Store India, Samsung Online shop, Reliance Digital, Snap Deal, and JioMart besides other sector specific e-commerce companies are very much part of the e-commerce ecosystem.

Rise of Services Economy

The growing importance of the services sector in the Indian economy could be understood by asking a simple question. What was the services sector's contribution to the GDP in 1950-51? Most likely it would be difficult to guess it correctly. It was only 28.6% (agricultural sector's contribution: 57.1%; industry's contribution: 14.3%). The services sector's contribution to the GDP at that time was only half of that of agriculture, but it surpassed agriculture in the mid-1960s.

By the end of 2000-2001 there was a tremendous change in the proportions of these three sectors. The services sector became the major contributor with a 48.8% share in the GDP; the share of agriculture had gone down to 24.7%, and the contribution of the industry was 26.4%. The contribution of the services sector rose to 57% of the GDP by the end of 2008-09.

Today, the services sector is the largest sector in India. Gross Value Added (GVA) at current prices for the services sector was estimated at Rs.96.54 lakh crore in 2020-21, thereby accounting for 53.89%. The industrial sector's contribution was nearly 26%, and the share of agriculture and allied sector was 20.19%.

Confederation of Indian Industry (CII) in one of their reports highlighted the industry profile of various services. They have the potential to provide ample employment opportunities to unlock India's demographic divide. They are IT, telecom, media and entertainment, healthcare, banking and financial services, retail, railways, environment, energy, logistics, exhibition and events, education, space, skills, start-ups, sports, cyber security, and trade facilitation.

You must have observed that there is a sea-change in the way customers are behaving in recent times. The technological innovations discussed so far and the emergence of a variety of services caused lifestyle changes in people across the country.

There are several reasons behind the impressive growth of the services sector in India, to mention a few:

- Rising aspirations and rising incomes of customers across the demographics
- Expanding the size of the middle-class segment
- Changing role of women
- Cultural changes

- IT and media revolution
- Conservation of natural resources
- Increased consciousness of healthcare
- Impact of liberalisation and globalisation
- Targeting the 'Bottom of the pyramid'

Of the above, let us discuss the concept of the Bottom of the pyramid.

Realising Fortune at 'Bottom of the pyramid':

Educator and author C.K. Prahalad developed the concept of 'Bottom of the Pyramid.' The unserved and underserved people make up the 'Bottom of the Pyramid.' Prahalad described the poor as an opportunity. The microcredit market in South Asia, especially in Bangladesh is an example of the Bottom of the pyramid. Through the Grameen Bank, Muhammad Yunus, a social entrepreneur and economist pioneered and practised the concepts of microcredit and microfinance. Such loans are given to entrepreneurs too poor to qualify for traditional bank loans. Yunus and the Grameen Bank have shown that even the poorest of the poor can work to bring about their own development. Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize "…for their efforts through microcredit to create economic and social development from bottom."

The following two Indian examples are discussed below to understand the concept of Bottom of the Pyramid namely Aravind Eye Care System and Narayana Hrudayalaya Hospital.

Aravind Model's Infinite Vision: The cross-subsidy business model developed by Dr. Venkataswamy, founder of Aravind Eye Hospital (Madurai), is unique to healthcare industry. The money collected from patients who can afford is utilised to provide free treatment to the poor. In an 11-bed hospital manned by four medical officers, Dr Venkataswamy, saw the potential for what is today, one of the largest facilities in the world for eye care. Over the years, this organisation has evolved into a sophisticated system dedicated to compassionate service for sight.

Aravind, with its mission to 'eliminate needless blindness', provides large volume, high quality and affordable care. 50% of its patients receive services either free of cost or at steeply subsidised rates, yet the organisation remains financially self-sustainable. Much importance is given to equity ensuring that all patients are accorded the same high-quality care and service, regardless of their economic status. A critical component of Aravind's model is the high patient volume, which brings with it the benefits of economies of scale.

Aravind's unique assembly-line approach increases productivity tenfold. Over 4.5 lakh eye surgeries or procedures are performed a year at Aravind, making it the largest eye care provider in the world. Since its inception, Aravind handled more than 6.5 million outpatient visits and performed more than 7.8 million surgeries. The Aravind Eye Care System now serves as a model for India, and the rest of the world.

Narayana Hrudayalaya's Heart for the Less-fortunate: founded by Dr Devi Shetty with a mission to offer affordable healthcare to the people. The Hospital is often known as the world's most economical healthcare service provider. Quality healthcare and affordability do not go hand in hand. Dr Devi Shetty observed that those heart patients requiring surgery were to be contented with government hospitals, while quality seekers could afford private hospitals. Dr Shetty began searching for a business model that would provide high-quality health services at affordable fees. He founded the hospital in 2001 as a 300-bed hospital. By 2021, the hospital has grown to become a 31-hospital network with 6,594 beds across 19 locations in India employing 1,500 full-time doctors and 15,000 employees. The chain is expanding. Around 150 surgeries are performed per day and 80,000 OPD patients get treatment per month. Half of its patients are from the economically weaker sections. The cost of cardiac surgery is significantly lower by any standard. The focus on both cost and quality has not hurt NH's financials.

According to a study conducted by IFC and World Resources Institute (WRI) in 2007, the BOP market in India made up about 85% of the total household market. 78% of such underserved people reside in rural India. This international study provided interesting insights into how big the BOP market is and what is its buying power! In India, BOP accounted for 88% of the total national household expenditure on food, 87% of energy expenditure, 85% of health spend, 78% of household goods expenditure and 52% of the country's total spend on ICT.

BOP marketing involves meeting the unmet needs of price-sensitive, underserved segments of markets by creating new business models.

2.11 MARKETING RESEARCH (MR)

Having discussed the importance of scanning and analysing the marketing environment. It's time that marketers make the right marketing decisions in order to adapt to the dynamic and ever-changing environment. Such marketing decisions become correct only when they are based on the right marketing information. Marketing Research (MR) is related to gathering marketing information.

In the area of marketing, much of the information required for decision-making exists outside the firm i.e. information on why people buy only certain products, say, motorbikes and not scooters; information about the competitor's next move, for example, how Airtel would react to Reliance Jio's latest tariff plans; information about the government's rules and regulations which can affect your business, for instance, how the Maharashtra government's Electric-vehicles policy aiming to achieve an overall 10% of vehicle registrations to be EVs by 2025 would impact the sale of conventional vehicles, and so on and so forth.

As discussed in earlier section, the marketing manager needs to analyse and seek more information in connection with macro environment factors which are relevant in which the business or the firm operates.

2.12 MEANING AND SCOPE OF MARKETING RESEARCH

Here are two definitions of marketing research:

According to Richard Crisp, Marketing research is the systematic, objective and exhaustive search for and study of the facts relating to any problem in the field of marketing.

While the American Marketing Association, defines Marketing research as the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.

MR has emerged as a highly specialised field in view of the growing complexity of understanding the business environment thereby necessitating specialised knowledge and sophisticated techniques.

MR is concerned with all aspects of marketing, relating to product design and development, product mix, pricing, branding, packaging, sales performance, distribution, competition, target customer segments, buying behaviour, promotion and its impact. Specifically, the scope of MR includes customers, products, distribution, advertising, competition and the external environment.

Examples related to the Role of MR

Britannia successfully campaigned its centenary year by using multimedia designed for heterogeneous audiences that its diverse brands cater to. The company did it in 2018. Its campaign included a 10 film TVC series, a long format film for digital and social media along with mainstream print, radio, and out of home (OOH) campaigns. The campaign is Britannia's 'Thank you to India' with a concept based on the thought that when you think of someone or something and if it arrives, the instant reaction you have is *Tu sau saal jiyaga* (You are going to live to 100 years!), an idiom which is a part of every Indian language. MR can help companies decide on the messages, the formats, and the desired media to expand such multi-crore brand campaigns.

Unilever is one of the world's largest FMCG companies and owns some of the world's leading brands such as Lux, Axe, Knorr, Dove, Brooke Bond, and Lipton. Many of the brands are decades old but still going strong. How do they continue to stay relevant for the consumer in a dynamic and shifting marketplace? This can only be possible by constantly reviewing a brand's positioning and by adapting to the times.

Colgate toothpaste is known for its leadership position in the Indian market for a long time. While GlaxoSmithKline (GSK) in 2011 launched the Sensodyne toothpaste at a time when awareness of sensitive teeth as a problem was minimal. The market leader Colgate had a sensitive teeth variant but made no special effort to push it. While GSK team opined that by advertising on TV commercial in a conventional way may not be sufficient enough to create awareness and hence the problem requires an innovative and novel way to spread customer awareness of sensitive teeth. Thus the company conducted chill tests where people were invited to take a sip from a glass of cold water to see if they felt a short sharp pain in their

teeth. Sensodyne ran 50,000 such tests in the year of its launch and as of June 2014, the number stood at an amazing 5 lakh. In 2013, GSK launched Sensodyne with a powerful campaign around tooth sensitivity. All such marketing decisions were a result of GSK's intense marketing research efforts; Sensodyne gained substantial market share with their ingenious campaign creating and targeting a new segment.

You may come across many instances how companies fail to understand the customer's wants thereby inviting the risk of losing the market forever. MR at the right time would avert such types of threats. In other words, by undertaking proper MR on the customers, competition etc. prior to designing a marketing programme, the companies protect themselves from being the victims of market *Darwinism* which underlines the survival of the fittest. Only companies that have the needed marketing capability, strategy and competitive advantage, will survive the ordeal.

2.13 MARKETING RESEARCH PROCESS

The following are the steps involved in the process of marketing research:

- Problem definition
- Research design
- Fieldwork
- Data analysis
- Report presentation and implementation

Problem Definition: A problem is any situation that requires further investigation. However, not all marketing problems need formal investigation or research. Many problems are of a routine and trivial nature which can be solved immediately after ascertaining all the facts of the case. Your dealer wants 90 days credit against the usual 60 days because his business is facing certain problems due to prolonged lockdowns in view of COVID-19. You can immediately check the dealer's track record to ascertain the genuineness of his request and make a decision. But when the problem is critical, spending resources to initiate formal marketing research is warranted.

It is very important that you define the problem for research properly. There is a saying that 'a problem well defined is half-solved.' A clear, precise, and to the point statement of the problem itself provides clues for the solution. On the other hand, a vague, general, or inaccurate statement of the problem only confuses the researcher and can lead to the wrong problem being researched.

For example, a problem of low market share may be wrongly understood as a problem of inadequate sales. However, in reality, the problem may not be related to insufficient sales. Once it is wrongly assumed as the problem, many wrong steps would follow. Unnecessary questions like how to improve sales and whether reduction of price will improve sales or higher advertising spend are required etc. may be taken up for consideration. In the given

case, the problem of low market share may not have anything to do with either sales or pricing or advertising. Instead, it may be related to change in the buying attitudes and preferences of the customers.

Therefore, depending on the results generated at this stage you can decide whether to extend the scope of research or stop it here.

Research Design: If you have stated your problem correctly and precisely, you should be able to spell out the precise objectives for research. Now you are in a position to prepare your research design. The research design spells out how you are going to achieve the stated research objectives. The data collection methods, the specific research instrument(s), and the sampling plan that you will use for collecting data and the corresponding cost are the elements that constitute the research design.

Data Collection Methods: A great deal of data is regularly collected and disseminated by international and national bodies, for instance, World Health Organization, International Monetary Fund, World Bank, International Labour Organization, Reserve Bank of India, NITI Aayog, Central Statistical Organisation, and also from trade associations and private research organisations. This kind of data which has already been collected by another organisation and not by you is known as secondary data. Table 1 shows an overview of the sources of secondary data.

Table 2: Sources of Secondary Data

- Reports by agencies like Reserve Bank of India, NITI Aayog, Census of India, NCAER, CMIE, McKinsey, AC Nielsen, IMRB, ORG-Marg and TNS-Mode
- National Readership Surveys; Indian Readership Surveys
- Websites of the ministries and government departments; Organisations; and Industry/Trade associations
- Reports of National Sample Survey Office (NSSO); and National Sample Survey Office
- National Council of Applied Economic Research (NCAER)
- Statistical Outline of India
- Yellow Pages; Business-wise telephone directories
- The Marketing White Book
- The Source Directory
- The Industrial Product Finder
- Phone data service
- Report by Indicus analytics

- Database from Silverline

When secondary data are not available or it is not reliable, you would need to collect fresh and original data in line with your objectives. This type of first-hand data collected specifically for current research is known as primary data. Primary data can be collected from customers, retailers, distributors or other respondents. Primary data may be collected through any of the three methods: **observation, survey and experimentation.**

The Observation Method is generally used to observe buyer behaviour in a mall or exhibition to assess the influence of shelf placement or the location of a particular shop. Videos can also provide some information in this regard.

The **Survey Method** can provide information about the demographic or socioeconomic profile of your customers. The survey may either be conducted in a small group of customers through the focus group interview or may cover a large number of customers with the help of a questionnaire. In the focus group interview, five to fifteen customers are invited for a discussion on a specific product or a specific aspect of the product. The questionnaire-based surveys yield not only qualitative but also quantitative data which have statistical validity.

The third method of collecting data is through **Experimentation**. This is basically a simulation of the real-life situation, but in a controlled environment in which you systematically introduce certain elements to study their impact. This method is used for finding the best sales-training technique, the best price level or the most effective advertising campaign. However, its use requires an extremely skilled researcher to ensure useful results. Also, this method is expensive.

Research Instruments: Marketing researchers depend on three main instruments in collecting primary data. They are **questionnaire, qualitative measures and technological devices.**

Questionnaire is a widely used instrument; it should be structured in such a way that it collects all relevant data. It contains two types of questions namely closed-end questions, and open-end questions. Closed-end questions specify the possible answers. The responses are easier to interpret and tabulate. For open-end questions, the respondents answer in their own words.

Activity 5

1. Based on the literature available in e-resources, prepare a questionnaire to be administered among the retailers of any product of your choice to assess the impact of lockdowns due to the recent pandemic on their business.

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Qualitative Research Instruments are unstructured and indirect approaches to measuring customers' perceptions. Normally, they are useful for very small samples, and findings may not be generalised. Word associations, projective techniques, and visualisation are some of the qualitative methods.

Technological Devices like galvanometers measure emotions aroused by exposure to an advertisement copy or a TV commercial. Biometric tracking wrist sensors, brain wave scanners etc. will help the marketers to understand customer responses.

Sampling Plan: For conducting marketing research you would rarely gather information from the entire population (also called universe), rather you would select a small group known as a sample that has all the characteristics of the population, and conduct research among the sample group. Having decided to use a sample, your next step is to draw up the sampling plan. There are four aspects to the sampling plan:

- Who is to be surveyed (**sampling unit)**
- How many are to be surveyed (**sample size**)
- How are they to be selected (**sample procedure**)
- How are they to be reached (**sampling media**)

The choice of the sampling procedure is between two kinds: **probability** (or random) **sampling** and **non-probability** (non-random) **sampling.** In the former, each item of the population (or universe) has an equal chance of being selected as a sample unit. In non-probability sampling, the researcher selects the units to be included in the sample. This is mostly used in exploratory research where a true representation of the universe is not important. But where true representation is important, probability sampling is used. Random sampling enables the researcher to make an accurate estimate of the population characteristic but it is more expensive than non-random sampling. The cost that you can bear and the degree of accuracy which you require have to be weighed to arrive at a decision.

Now you must decide how to contact the respondents: in person, by mail, by telephone, or online. Each of these methods has its own merits and demerits. The Internet offers different ways to do research. Nowadays, companies are able to track how customers click stream through the company's website and move to other sites.

Field Work: This is an expensive and time-consuming stage of the research process. In this stage, the research design has to be converted from the planning stage to that of implementation. To achieve the stated research objectives, data have to be collected. This data collection is known as fieldwork. Fieldwork involves careful planning and supervision. It has to be planned how many people will be assigned to the field, what will be their geographical areas of coverage; how many days will be required for the entire operation and

so on. Supervision ensures that the data collected is genuine and accurate. Supervisors conduct random checks to ensure that the field workers do actually collect data from genuine sources of information.

Data Analysis: After you have collected the data, you need to process, organise, and arrange it in a format that makes it easy to understand and directly helps the decision-making process. Raw data have to be processed and analysed to obtain information. There are three phases for analysing the data:

- Classifying the raw data in a more orderly manner in terms of quantitative, qualitative, chronological, and geographical.
- Summarising the data which involves broadly the tabulation and frequency distribution. The frequency distribution presented *per se* may not yield any specific result or inference. What we want is a single, condensed representative figure that will help us to make useful inferences about the data and also provide a yardstick for comparing different sets of data. Measures of average or central tendency provide one such yardstick. The three types of averages are the mode, median, and mean. These three types of averages measure the most typical value around which most values in the distribution tend to converge. However, there are always extreme values in each distribution. These extreme values indicate the spread or the dispersion of the distribution. To make a valid marketing decision you need not only the measures of central tendency but also relevant measures of dispersion. Measures of dispersion would tell you the number of values that are substantially different from the mean, median, and mode. If the number of observations at the extreme value is large enough to form a substantial number, it indicates an opportunity for market segmentation. The two commonly used measures of dispersion are range and standard deviation.
- Applying analytical methods to manipulate the data to highlight their interrelationship and quantitative significance. Some important analytical methods are correlation, regression analysis, multiple regression analysis, discriminant analysis, and factor analysis. These methods involve the use of sample data to make inferences about the population. The three approaches used here are estimates of population values, hypotheses about population values, and tests of association between values in the population. Statistical inference as an analytical tool for marketing decisions is gaining wide acceptance.

Report Presentation and Implementation: The final step is the preparation, presentation and implementation of a report giving the major findings and recommendations. A typical format of the report may comprise of the following sections:

- **Objectives and methodology** in which the research objectives are stated and details of the sampling plan are described.

- **Summary of conclusions and recommendations** in which the main findings of the research are highlighted. On the basis of the findings, some recommendations may be made.
- **Sample and its characteristics** which contains descriptions of the sampling units in terms of their geographical location, socio-economic profile and other relevant details.
- **Detailed findings and observations** in which the data is presented in a comprehensible way to the user. The data may be presented in tabular form or graphically in a bar chart, pictogram or pie diagram, or in a combination of all these.
- **The questionnaire and supporting research instruments** are presented in the last section.

The research agency may or may not be involved in the implementation of the recommendations made in the report.

2.14 MARKETING RESEARCH IN INDIA

We shall conclude this unit with a brief overview of the contemporary scene of marketing research in India. The emergence of new-age sectors like telecom, digital media and insurance are helping the MR industry to climb to newer heights with varied analysis of consumer insights. According to a rough estimate, an Rs.1500 crore worth MR industry (2017-18), excluding KPO, is well poised to take a big leap. The overall market gets divided into full services MR agencies and the KPO services clocking around 18% of CAGR. It had a manpower size of 3.5 - 4.0 lakh professional employees engaged in the industry. IMRB, RNB, Market Xcel Data Matrix, Majestic MRSS, TNS, Hansa Research, IDC India, IPSOS Indica Research, Millward Brown, and Nielson are some of the leading MR companies in India.

One of the main challenges faced in MR in India is low internet penetration, and many firms have to depend on face-to-face interaction along with the paper and pencil method of data collection. However, the scenario is changing now with the advent of Market Research Outsourcing (MRO) and Knowledge Process Outsourcing (KPO). Today, several companies are shifting their focus towards a customer-centred experience of the marketplace they operate in. Here, we highlight the emerging marketing research trends:

- Artificial Intelligence (AI) started dominating consumer engagement. Amazon's Echo and Google Home created a wave of AI in our daily lives. The digital space became a new marketplace for most consumers today. According to David Sackman, CEO of Liberman Research Worldwide, AI will ease the task of field engagement, survey, and questionnaire development. However, traditional methods such as surveys and qualitative research will continue to be a crucial part of market research activities.

- Mobile technology will continue to play an important role in MR. Augmented Reality (AR) and Virtual Reality (VR) will present a whole new level of experience through the digital world. Apple and Google took a leap into this new technology through ARKit and ARCore, respectively.
- Automation enables the speedy collection and processing of data. The companies are able to get consumer data with one-click forms. Automation also helps to increase the accuracy of data.
- Social media platforms have emerged as the voice of customers. As a marketer, now you can analyse the customer opinions and reviews about your products or services. This would enable you to communicate well directly with your target customers. Conducting surveys on social media increases the size of the audience by a wide range.
- Hashtags help to get the opinions and reviews of the audience. According to an estimate (2021), more than 500 hours of videos get uploaded to YouTube per minute. Over one billion stories are shared on Facebook every single day. The story is more or less the same for other social platforms. A hashtag is a combination of keywords (without any punctuation or spaces) that has # in front of it.
- An agile approach to marketing has been derived from the framework of software development. It focuses on enhancing aspects of a firm's marketing function such as predictability, speed and adaptability to change. Trying multiple things over a period over a period of time, and then repeating those that work, will be key to agile marketing success.

2.15 SUMMARY

Marketing environmental analysis enables the company to identify strengths and weaknesses of a company, and opportunities and threats posed by the external environment. The six major forces or components of the external environment are: demographic, economic, socio-cultural, natural, technological, and political-legal. The environmental analysis also implies making an objective assessment of internal elements specific to the business: the consumer, suppliers, intermediaries, and competition.

This unit attempted to identify a new Indian consumer in the context of contemporary developments. The marketers need to understand India's diversity, its burgeoning population, rural-urban divide, its demographic dividend, and so on in an effort to identify the business opportunities and face the challenges confronting their firm. Most of the products and services in India are found to be in buyers' markets, thanks to the economic reforms adopted in the country since 1991. Customers became powerful by enjoying better choices and improved bargaining power. The Smartphone revolution, the rapid pace of digital technology

adoption, the fastest growing app market in India, the rise of E-commerce, and the rise of the services economy – are some of the emerging developments discussed in this unit with suitable real-life examples. The concept of 'Bottom of the pyramid' has been explained by illustrating two Indian hospitals: Aravind Eye Care System; and Narayana Hrudayalaya Hospital.

Through regular marketing research, the marketing managers need to analyse what is happening in the environment of the company. Marketing research is the systematic gathering, recording and analysis of data about marketing problems. Some of the examples discussed to underline the importance of marketing research include Britannia, Unilever, and Sensodyne. The main steps involved in the process of marketing research were elaborated. They are problem definition, research design, fieldwork, data analysis, and report presentation and implementation. Some of the emerging trends in India's MR industry are the use of Artificial Intelligence, mobile technology, automation, social media platforms, and Hashtags.

2.16 KEYWORDS

Bottom of the pyramid implies unserved and underserved people by the marketing organisations.

Corporate environmentalism calls for the integration of environmental issues into the firm's strategic marketing.

Creative destruction implies that long-standing arrangements and assumptions must be destroyed to free up resources and energy to be deployed for innovation.

Demography is the study of the population.

Experimentation is basically a simulation of the real-life situation, but in a controlled environment in which the researcher introduces certain elements to study their impact.

Marketing research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.

Non-probability sampling: Here the researcher selects the units to be included in the sample.

Primary data is first-hand data collected specifically for current research.

Qualitative research instruments are unstructured and indirect approaches to measuring customers' perceptions.

Questionnaire is a widely used instrument that collects all relevant data in a structured way.

Probability sampling: Here each item of the population (or universe) has an equal chance of being selected as a sample unit.

Secondary data is the kind of data that has already been collected by another organisation and not by the researcher.

Socio-cultural environment is composed of culture, social class, traditions, beliefs, values and lifestyles of the people in a given society.

2.17 SELF-ASSESSMENT TEST

1 The Indian market is emerging to become one of the largest consuming classes globally. Explain this with statistical illustrations.

2 Do you think that the Indian marketers are giving the required attention to serve the bottom of the pyramid and try to develop marketing strategies for people with lesser purchasing power? Discuss with a suitable example of your choice.

3 Indicate whether marketing research is relevant to each of the following organisations and if so, how each might benefit:

a. Any company of your choice or you are associated with.

b. Any ministry in the Government of India

c. A departmental store /Retail outlet in your location.

d. Any service organization

2.18 FURTHER READINGS

Philip Kotler, Kevin Lane Keller, Abraham Koshy and Mithileshwar Jha, 15/e, *Marketing Management A South Asian Perspective,* Pearson, New Delhi, India.

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UNIT 3 MARKET SEGMENTATION TARGETING AND POSITIONING

Objectives

The objectives of this unit are to help you to understand:

- the concept of market and market segmentation
- meaning of segmentation
- benefits and doubts about market segmentation
- bases for market segmentation
- how industrial or organisational markets are segmented
- the importance of market targeting
- how to evaluate and select market segment.
- concept of market positioning and its importance
- developing positioning strategy and deciding on positioning theme
- need for repositioning

Structure

3.1 Introduction

3.2 The Concept of a Market

3.3 The Concept of a Segment

3.4 Meaning of Market Segmentation

3.5 Benefits and Doubts About Segmentation

3.6 Bases for Segmentation

3.7 Segmentation in Industrial (Organisational) Markets

3.8 Market Targeting

3.9 Evaluation and Selection of Market Segments

3.10 Market Positioning

3.11 Why Positioning is Important?

3.12 Developing the positioning strategy

3.13 Deciding the Positioning Theme

3.14 Market Repositioning

3.15 Summary

3.16 Keywords

3.17 Self-Assessment Questions

3.18 Suggested Readings

3.1 INTRODUCTION

The success of a product or a brand in a competitive market environment can be conveniently attributed to the fact that the marketer had possibly segmented, targeted and positioned the firm's offering in the right perspective.

All customers in a broadly defined market don't have the same needs. But successful marketers decide about the products to offer and the markets to be served.

One size doesn't fit everyone very well. "One cannot be everything to everyone, but can be everything to a selected few" and that no two individuals can be the same.

These above statements are the foundations for segmentation and segmentation is core to marketing function of all businesses. Firm's have achieved leadership positions through effective segmentation and targeting. "Once you discover the most useful ways of segmenting a market, you have shaped the foundation of sound marketing strategy". To create differentiation, marketers use segmentation, targeting, and positioning (STP) strategy. Consumers buy benefits, and products that ***BEST*** address to their ***SPECIFIC*** need. Segmenting the market, Targeting the user, and Positioning the product or service offering are three pillars of modern marketing strategy.

Therefore all marketing related activities have to be necessarily carried out in such a way that they lead to generation of surplus funds. Even in case of non-profit and non-manufacturing set-ups, it becomes important to achieve marketing goals in the most economical way. One of the ways to obtain economies in marketing is to concentrate and focus the marketing effort in respect of a well defined homogeneous cluster of potential customers. This approach known as STP approach helps in optimizing the marketing mix for a segment

3.2 THE CONCEPT OF A MARKET

Unless you know the exact market(s) to which your organization wants to cater, your focusing will be wrong and your planning will be faulty and you will fail to develop an appropriate marketing strategy or effort to meet the needs of your target market. To

identify the target market let us first define the term "market". The term market has more than one meaning:

- It can be used in respect of the network of institutions like wholesalers, distributors, stockists, and retailer and others dealing in a product;
- It can also be used to refer to the nature of demand for the product, as when we speak of the market for electric cars or for pre cooked food products etc.
- The two meanings are related but are physically distinct. Related because without the wholesalers and other institutions, it will be difficult to serve customers (demand).

In this unit we are concerned with a "market for" a product. The market for a product relates to the function(s) served by the product. And the other products that are in competition with it. But we can define functions broadly or narrowly and on this would depend how widely or narrowly we wish to define competition for our particular purposes. Suppose ours is a passenger car or bus transport company and we say that we are in the business of transportation i.e., moving people from one place to another, then we are in competition with the rail, airline and ship the other important modes of transportation. As against this, if we say that we are in the business of "transportation by road" we are defining our function more specifically and in that case we are in competition with other passenger bus transport companies:

Another question which arises is: Does the definition of a market in terms of function(s) served links the definition of a market to the definition of the. Firm's business? The answer is "Yes". A "business" is defined in terms of technology, customer group and Function(s) served. The overall linkage may be depicted as in the figure below:

A market can also be defined in terms of generic need. By generic need we mean the basic need like the need for catering to hunger and thirst or the need for transportation.

Then the question arises: Is the definition of a market in terms of function served and the definition of a market in terms of generic need essentially the same? The answer according to Levitt is "**yes**". The following are some examples:

Product	**Generic Need**
Film Industry	Entertainment
Television	Entertainment

Activity 1

Write out the generic need in the case of the following products.

Product	Generic Need
a) Cosmetics	……
b) Elevators	……
c) Smart Phones	……
d) Edible Oil	……

Answer: (a) Hope for looking good, (b) "Need" for vertical transportation within buildings that is convenient, fast and safe, (c) "Need" for a portable and personal device to stay in touch at all times (d) energy.

Levitt, in a classic article, claims that the film industry failed to recognise that it catered to the generic need for entertainment and as a consequence failed to take cognizance of the likelihood of competition from television. It thought it was in the movie business when it was actually in the entertainment business.

Therefore, defining a market in terms of generic need not only defines competition but also helps a firm to avoid entering a market segment without first considering the wider range of possibilities available to it.

However, there are some problems that are encountered in using generic need to define a market.

First, the word "need" is ambiguous as there is no accepted list of human needs.

Second, the assumption probably made by Levitt is that there is only one market for a firm's product or that the many needs that might be served by a product will always reflect some high level need. This may not always be true.

For example, consider the generic need served by the postage stamp. There is the market which is related to the transportation and delivery of mail and there is also the market related to the philatelist's motives. Both these markets cannot be embraced under one generic need.

Take another example of film industry as used by Levitt. Would it always be best in your opinion to regard the film industry as catering to the generic need for entertainment? The answer is "no" for there are many rival claimants. It all depends on our purposes. One claimant might be the generic need to occupy leisure hours. In that case, probably, entertainment will be its sub-category.

Third, defining a market in terms of generic need is not a sufficient condition for identifying competition. This is so because products can serve the same generic need without being in competition, e.g., sundials and watches. They both cater to the same need i.e., to measure -time, without competing with each other. Another example is of

coffee and soft drinks as they both could be thought of as serving the same generic need for beverages. However, it is a matter of empirical investigation to find out whether these products do in fact serve this need.

The definition of the market in terms of function(s) served does not, however, eliminate the necessity of defining our purposes, using judgment and undertaking empirical investigation to determine how broadly to define the function(s) of interest. In fact, the products that serve different use-functions serve different markets, and different use-functions attract different competitors.

***Activity* 2**

How will you define the market in the case of the following products?

a) Cold Cream …….....

b) Electronic Typewriter……

c) Wheat Bread……..

d) Ink Pen……..

e) Dairy Products……..

3.3 THE CONCEPT OF A SEGMENT

The previous discussion must have helped you to understand the relationship between market, product and function. On the basis of market definition given earlier we can reiterate that buyers in the same market seek products for broadly the same function. But different buyers have different evaluative criteria about what constitutes the right choice for performing the function. As a consequence different offerings will attract different buyers.

To illustrate, all brands of smart television sets will appeal to some degree to those in the market for a smart TV but some brands will appeal to some groups more than others. But, if there were only one brand of smart TV set, there will be no choice for the buyers. But as the market develops, manufacturers seek to cater more closely to some groups than to others and buyer choice widens as a result.

At the most detailed level every buyer is a market in himself for every buyer's "want" is probably distinct in some way. But on the basis of similarities and differences, such unique wants can be grouped into sub-classes. What it means is that wants within a sub-class are more related to each other than wants between sub-classes.

Based on the above discussion you can now attempt to explain market segments and the process of market segmentation.

Market segments refer to the sub-classes of the market reflecting sub-classes of wants and the process of conceptually distinguishing segments is known as the process of market segmentation.

Relationship of a segment to a market

To put it differently a market segment consists of buyers who seek (occasionally or often) the same aspects of a product. And the concept of a market as a set and a segment as a subset is the basis on which the process of segmentation is carried out.

But the relationship of a segment to a market is also one of means to goals. The implications of this relationship are:

- Since means for accomplishing goals can be varied, different segments of a market may demand radically different substitutes (for example, electric razor for a safety razor)
- Since the function distinguishing a market is a means to some higher-level function that can be served by a variety of markets, there can be mobility of buyers among the several markets which may result in instability in any individual market (for example from "movie" of the film industry to "entertainment" where TV competes with the film industry)
- Since choice is exercised by people within the context of what is available, the buyers are not necessarily satisfied with what they buy meaning thereby that a possibility always remains of designing an attributes mix better suited to the segment.

We can say that buyers within a segment are more homogeneous in their market wants when compared to those who are in the market at large, but differences will always remain in wants among those within a segment notwithstanding this similarity. What it means is this that a marketer can always achieve additional homogeneity by subdividing the original set of segments further until, theoretically speaking, we have segments to which only one buyer belongs.

The question that arises is how far the process is carried towards this end. The answer will depend on:

- the commercial viability of small segments, and
- the competitive practices of rivals.

Now what a marketer should do? He may ignore the differences and treat the segment as a homogeneous segment, or he may, take account of some of the differences in product range, promotion and distribution and segment the market on that basis

So segments will be distinguishable on the basis of such differences, In other words one will be able to distinguish one segment from another on the basis of what segment members have in common in respect of what they seek from a product. However, since consumer needs and wants keep on changing with the passage of time, segment wants would also change in time necessitating the manufacturer to adapt his offering without necessarily affecting the definition of the core want.

3.4 MEANING OF MARKET SEGMENTATION

You would agree that any consumer market is composed of a large number of customers. Do you think that all the customers in a given market are homogeneous in terms of their needs and wants? Certainly not! Let us take a quick look. We as customers of bathing soap are not alike in terms of what exactly we 'need' from bathing soap. Though we all use bathing soap, we belong to a different customer groups.

Therefore the firm's offering bathing soap try to satisfy distinct customer groups by marketing different types of bathing soaps, for example, beauty soaps, health and hygiene soaps, herbal soaps, low-priced or popular soaps, and so on. If you observe brands like Lux, Dove, Santoor, and Vivel are attempting to cater the beauty conscious or niche customer segment while Margo and Medimix serve the herbal and medicinal segment and Lifebouy and Cinthol to serve the price-sensitive mass consumption segment.

The consumers of a product vary in their needs, socio-economic characteristics, buying motives, buying patterns and buying behaviour etc.

In market segmentation, the marketers divide the heterogeneous customers into certain groups or segments each of which tends to be homogeneous in a significant respect.

Thus companies through market segmentation divide large, heterogeneous markets into smaller segments that can be pursued more efficiently and effectively with products and services that match their unique needs. We have to be clear that in the process of market segmentation, it is the consumers/individuals who are segmented and not the product or the price.

Activity 3

Write out the different segments for the following products.

Product Segment

a) Laptop ……

b) Wrist Watch ……

c) Electric Car ……

3.5 BENEFITS AND DOUBTS ABOUT SEGMENTATION

You may get a doubt that if the marketers develop different marketing policies aiming at different segments of customers, such an exercise would imply enormous marketing expenditure in the form of costs on R&D, product development and promotion. So a question naturally arises whether segmentation is a must in marketing?

Theoretically, it is possible for a firm to go for market aggregation or mass marketing which is just opposite to the concept of market segmentation. Normally the sellers in certain types of commodities such as sugar and kerosene often follow an undifferentiated marketing strategy to appeal to the largest number of buyers with mass production, mass distribution, and mass advertising. Such a strategy keeps the overall marketing costs low and makes them easier to manage.

In practice, however, companies do not prefer undifferentiated marketing strategies. The concept of a ***"one-size-fits-all"*** is no longer relevant. Understanding how customers' needs and wants differ is essential in designing effective marketing policies.

We will now try to describe both the benefits and the doubts that arise from the strategy of market segmentation.

First, we will highlight the benefits from segmentation and these are:

- segmentation helps a company to exploit its market better by selecting market niches (suitable segments) that are compatible with its resources
- segmentation helps in focusing strategies more sharply on target groups
- segmentation is more likely to result in instilling customer `loyalty' since the firm's offering is better matched to those in the segment.
- segmentation provides the innovative marketers to spot out the unique business opportunities by identifying those market segments where the established firms are underperforming.
- customer satisfaction can be accomplished by providing a value offering that matches the value proposition considered important by a target segment.

Doubts about effectiveness of segmentation

The discussion that follows concentrates on the doubts which have been expressed on the effectiveness of segmentation.

Are segments mutually exclusive groups?

Remember, segments are not mutually exclusive customer groups. What we are exactly grouping is 'anticipated orders' from buyers, not buyers themselves. What we are really trying to emphasise is that the same consumer may appear under different descriptions for different segments. To illustrate: Sensodyne and Colgate toothpastes differ and seem aimed at different segments, but the same people may buy both of these. The fact that the same people buy both of these products does not in itself imply the absence of meaningful segments. Products in different segments of the market may be bought by the same buyer for different family members, or for different reasons, or just for variety, etc.

Is segmentation merely on the basis of different product forms?

It is not right to say that segmentation is merely done on the basis of different product forms. Although this is what usually happens. But segmentation can be on other bases as well like distribution, price, promoted image, etc.

When insignificant differences exist between brands

What happens in a situation where markets are not heavily segmented or where the differences between products are marginal?

In a situation like this, one can't help saying that not much purpose is served by segmentation. In other words in a situation where insignificant differences exist between brands segmentation is not a feasible strategy.

3.6 BASES FOR SEGMENTATION

As you know, market segmentation means dividing the market into several homogeneous sub markets or segments. Now the question is: what is the basis of segmenting the market? In fact there is no single way to segment a market. A marketer has to try different segmentation variables to view the market structure. Let us discuss it.

Benefit segmentation

In benefit segmentation you segment the market on the basis of what people say or the benefits they seek from the product. One of the most successful benefit segmentations was reported by Russell Haley who coined the phrase benefit segmentation. According to him the oral hygiene (toothpaste) market can be divided into four distinct benefit segments depending on which of the following is sought:

- flavour and product appearance
- brightness of teeth
- decay prevention
- low price.

Once we have categorised those in the market on the basis of the benefits they seek, they can be identified by what they are (demographic characteristics) and what they do (behaviouristic and psychographic characteristics). For example, in the Russell Haley study the brightness of teeth seekers were young people in their teens with a personality disposed towards high sociability and an active life style. Similarly, decay prevention seekers had large families, were heavy toothpaste users, and were conservative. Each segment also favoured certain brands. Thus, benefit segmentation requires:

- determining the major benefits that people look for in the product class., like intrinsic preference, for example, taste, level of performance, snob appeal, price, reputation etc.
- the kinds of people who look for each benefit, and
- the major brands that deliver each benefit.

Activity 4

Please suggest brands of toothpaste that you would segment on the basis of derived benefits.

Benefit	Brand Name of toothpaste
Sensitive teeth	----------
Brightness of teeth	----------
Ayurvedic	----------=--
Herbal	----------
Fresh breath	----------
Low price	----------

Geographic Segmentation: As the name suggests the market is divided on the basis of location. A company may divide the market into different geographical areas such as nations, regions, states, cities, rural, urban and semi-urban areas. It also involves segmentation based on climatic conditions. The basic reason of using geographic base for segmentation is that people who live in the same area share some similar needs and wants compared people living in other areas.

Take for example coffee consumption in India, as it is well known coffee is consumed more in South India than any other region. However, in most of the places in the Northern part tea *(chai)* is a popular drink. In most parts of Northeast India, people prefer to enjoy tea without milk and sugar (often known as *Laal chai* - red tea and green tea). In scenarios of this type firms do adopt geographic segmentation and offer various blends of tea to appeal to different tastes and preferences of people in different regions. Tata tea is one of the classic examples for pursuing geographic segmentation.

Let's look at from another dimension in terms of purchasing pattern among urban and rural consumers. Let us try to understand it from the experience of some of the companies soon after the outbreak of pandemic in the recent past.

The corona virus-induced lockdown sharpened the urban-rural divide in the demand pattern of FMCGs, with consumers in big cities opting more for large size product

packs. But in smaller towns and villages, low-priced value packs started ruling the roost. For example, companies like Nestle, Dabur, Godrej Consumer Products, Parle Products, and Wipro Consumer Care experienced higher consumption of lower-priced affordable packs (also known as popular price products) in non-metro markets after improvement of supply chains. On the other hand, in urban places, the companies witnessed a trend of customers buying larger pack items and an increase in volumes of purchases per visit to stores, although the purchase frequency came down as buyers opt lesser visits to crowded places such as malls and retail stores. Interestingly, when the guest workers went back to their native places, they were the people who seek to buy those brands even in semi-urban areas which they had consumed in cities.

Demographic Segmentations

Instead of focusing on the differences in benefits sought, marketers divide potential customers in the market on the basis of demographic variables such as age, gender, family size, income, occupation, education, location, religion, race and nationality. Demographic variables are the most popular bases for distinguishing customer groups. You should use such variables to infer the likely variations in what is sought.

Activity 5

Please suggest products that you would segment on the basis of demographic variables.

Demographic variable Product category segmented on demographic basis

a) age ----------

b) gender ----------

c) family size ----------

d) income ----------

e) occupation ----------

f) education ----------

g) geographic location ----------

h) religion ----------

Some special types of demographic groupings, viz., social class and family life cycle are discussed below:

Social class

Demographic variables can be combined to form social classes. Social class is defined in terms of a number of demographic variables varying from a single indicator like occupation to the use of a combination of factors like occupation, source of income, type of home or residential area. Social class has a strong influence on the person's

preferences in regard to clothing, home furnishings, leisure activities,' reading habits, and so on.

Family life cycle

Another basis for segmentation that draws on demographic factors is family life cycle, where each stage in the cycle is a combination of age, marital status and age of children. A household with a young family tends to have different wants from an older married couple whose family is grown up. One family life cycle is:

- young single person, not living at home
- young married, no children
- young married, youngest child under six
- young married, youngest child six or over
- old married, with dependent children
- older married, no children living at home
- older, single

Psychographic Segmentation

Psychographics is the study of consumers primarily based on their activities, interests, and opinions (AIOs). It goes beyond classifying people based on general demographic data, such as age, gender, or race. Psychographics seeks to understand the cognitive factors that drive consumer behaviors. This includes emotional responses and motivations; moral, ethical, and political values; and inherent attitudes, biases, and prejudices.

Therefore, one can also segment the market on the basis of life style or mode of living. This helps you to understand what those who are in the market do. Some of the products where life style approach has been used for segmenting the market are cars, women's clothing, cigarettes, cosmetics, alcoholic beverages and furniture. The companies involved in offering financial services, four-wheelers, and tourism and hospitality develop appropriate marketing policies keeping in view the family size and stage of the life cycle.

Activity 6

Identify the current life cycle stage of any one member in your family. List out the brands of products and services which you need to buy specifically to cater to the identified family member.

Stage of the life cycle of a family member:

Brands of great demand by my family:

a. b. c.

d. e. f.

g. h. i.

How to use psychographic basis?

For using psychographic segmentation you will have to collect data for developing a profile of the consumer. One life style approach that has been developed uses psychographic data concerned with the activities, interests and opinions (called AIO inventories) in addition to the demographic variables of those in the market.

Consider the following example:

Activities	Interests	Opinions	Demographics
Work	Home	Social issues	Age
Hobbies	Job	Politics	Education
Entertainment	Community	Education	Income
Clubs	Food	Culture	Occupation
Sports	Media		Family size
Shopping			Dwelling
			Geography
			Stage in life cycle

In using the above approach the researcher must have consumers respond to a number of AIO statements and then use statistical techniques to group the AIO statements into similar categories. The grouping permits the marketing analyst to produce a more relevant profile of those who are in the market, say of users and non users.

For example one such marketing study portrayed the user of eye makeup to be younger, better educated, and more likely to be employed outside the home. Further, they were more fashion conscious, cosmopolitan, and progressive than non-users Thus, the marketing strategist has established that the use of eye makeup is a part of a consistent behavioural pattern that provides valuable information input for media selection and advertising content decisions. Furthermore, the market strategist can use such information to identify likely users of related products, that is, other products that are consistent with that life style.

Personality variables

Besides AIO inventories and demographic variables we also use other variables in segmenting a market on a psychographic basis. These are variables that help in producing a more relevant profile of the consumer. The most commonly used variables of this type are personality variables.

Self-image is one aspect of personality that may relate to buyer behaviour. Some marketers use this approach to endow their product with brand-image that corresponds to self-image of the consumer. In fact, the assumption that buyers seek a match between self-image and brand-image is implicit when advertising appeals to certain types of personality.

Some other important personality variables that may be used in psychographic segmentation are: impulsiveness, sociability, achievement orientation, masculinity, self-confidence, conservativeness, prestige consciousness, alertness to change, thriftiness, and sentimentalism.

VALS ("**Values and Lifestyles**") approach is a research methodology used for psychographic market segmentation. CyberMedia Research, in association with SRIC-BI, took the initiative to develop the world-renowned marketing tool, VALS, for India. This market segmentation framework is designed to guide companies in tailoring their products and services in order to appeal to the people most likely to purchase them.

VALS signifies the values and lifestyles of people. VALS segmentation framework provides many cues to the marketers to segment the buyers based on two dimensions of consumer motivation and consumer resources. Consumers are inspired by one of three primary motivations. They are ideals, achievement, and self-expression. Those primarily motivated by ideals are guided by knowledge and principles. Those motivated by achievement look for products that demonstrate success to their peers. Consumers whose motivation is self-expression desire social or physical activity, variety, and risk. Personality traits such as self-confidence, energy, innovativeness, and leadership in conjunction with key demographics determine an individual's resources. Different levels of resources enhance or constrain a person's expression of their primary motivation. The four groups with higher resources are innovators, thinkers, achievers, and experiencers. While the four groups with lower resources are believers, strivers, makers, and survivors.

Other bases: There are some other important bases also that you need to know besides the ones which we have already discussed.

Usage rate is one of them and is sometimes used as a dependent variable with demographic or personality variables used as its predictors or independent variables. The aim is to identify the `heavy users' so as to focus directly on their wants and to appeal to them directly. Soft drinks are important product where this approach is used. To explain, it is the younger group which falls in the category of heavy users so far as

the soft drinks market is concerned. The main attempt of the companies selling this product is to focus on this group and to appeal to them directly.

Another basis is **brand-loyalty**, with companies making direct appeal to the loyal user. Buyers can be divided into four groups according to brand loyalty status: (1) hard-core loyals (who always buy one brand), (2) soft-core loyals or split loyals (who are loyal to two or three brands), (3) shifting loyals (who shift from one brand to another), and (4) switchers (who show no loyalty to any brand). Each market consists of different numbers of these four types of buyers. Marketers in order to retain their loyal customers offer special benefits to them in the form of loyalty rewards. For example, many Airlines have introduced "frequent flyer" scheme to retain their regular passengers by offering heavy discounts or free tickets to family members after a certain number of flying trips.

Activity 7

Mention brand name(s), and product category which matches your behaviour as a customer based on your degree of brand loyalty.

Degree of brand loyalty	Product category	Brand names
a. Hard-core loyalty	a. ----------	a. ----------
b. Split loyalty	b. ----------	b. ----------
c. Shifting loyalty	c. ----------	c. ----------
d. Switching loyalty	d. ----------	d. ----------

Segmenting by Generation:

Marketers try to segment the people by generation. Every generation is profoundly influenced by the times in which it grows up. Many studies indicate the role of youth as initiators and influencers of buying decisions. In recent times, even the 4-14 age group children are found to play a major role in buying decisions of families due to use of smart phones e-mail and text messaging.

Precisely, for this reason marketers now depend on social networking sites such as Facebook, Twitter, and YouTube to understand the ever-changing customer profiles through business analytics. This also helps in making important decisions in segmenting, targeting, and positioning. For example, many hotels and travel organisations are increasingly micro-targeting specific customers with customised services and communication by using social media.

3.7 SEGMENTING INDUSTRIAL (ORGANISATIONAL) MARKETS

Segmenting Industrial markets is as similar to segmenting consumer markets with similar and comparable variables. Segmenting markets on the basis of end-use application is essentially benefit segmentation; a demographic basis is geographical location; while a behavioural basis is the way the company buys. As knowledge of industrial customers advances, segmentation can take account of the buying criteria, technical, economic and commercial etc as applied to the selection of suppliers. Certainly, when the customers are large buyers with very diverse demands, each of them may be viewed as distinct segments to be approached individually by tailored strategies. In particular, there are three commonly used bases: 1) type of customer 2) size of customer; and 3) type of buying situation.

a) Type of Customer Segmentation: A common way to segment industrial markets is by end users application. For example, a pump manufacturing company can segment its potential market by type of customer such as automobiles, electrical appliances, government departments etc.

b) Customer Size Segmentation: Many companies set up separate systems for dealing with major and minor customers based on quantum and value of business transactions. For example, a company which manufactures office furniture may divide its customers into two groups as major accounts and minor accounts. Accounts of large and reputed companies come under major accounts. Such accounts are handled by national account managers working with district field managers. Smaller accounts are categorized as dealer accounts. These accounts are handled by the field personnel working with authorised dealers who sell company's products.

c) Type of Buying Situations Segmentation: In organizational markets there are three types of buying situations: new buy, modified re-buy, and straight re-buy. These buying situations are different from each other in a significant way. An industrial seller can segment his market on this basis of buying situations and adopt marketing strategies accordingly.

3.8 MARKET TARGETING

In previous sections we have discussed the various bases on which consumers can be clustered into homogenous market segments. However, all segments need not necessarily qualify as target markets.

A target market is defined as a set of buyers sharing common needs or characteristics that the company decides to serve.

It is very important to select the target market to develop a suitable marketing strategy. Every marketing strategy involves marketing expenditure and the return on a market program can only be identified if we are able to know the target market for which the marketing program is targeted. Hence, an understanding of the target market and measurement of their attractiveness is a key decision in marketing.

The next challenge for the marketer is to select one or more segments to target with a right blend of marketing mix elements.

Both **general factors** which one uses to evaluate any economic opportunity and the **factors specific to the situation** should be considered in evaluating segment options against these criteria.

General factors: The following are some important general factors that one should consider judiciously.

Company thrust: While segmenting the market the firm needs to identify the requirements for success in the identified target market. Next, it must determine what particular business system consisting of marketing, production, finance, personnel, etc. will be needed to meet the requirements for success in that segment. As far as possible the firms thrust should be such that it gives the company a key advantage in that segment.

Size and growth potential: In addition to the present size of the target market the firm should also ascertain the future growth potential of the said target market. The current market demand by itself may prove misleading. The measurement might also create its own problems.

Investment needed: Financial outlay required for tapping a particular target market is another factor to consider and care should be taken to ensure that both entry costs and costs associated with building market share have been included.

Profitability: The question of profitability is associated with investment decision. To calculate it we have to estimate both future sales and costs involved in the concerned segment. Besides, it is necessary to also consider the value-added to the product that is to be marketed in that target segment, for a low value-added product makes profitability more hazardous.

Risk: Risk is unavoidable in business. The usual risks associated with the extent to which a particular target market would respond. But these are not the only ones. Other risks like the new product taking away part of the market share from the existing product(s) of the company in that target market need also be considered and monitored.

Competition: The selection of target market also implies indirectly selecting the competitors with whom the company will compete. Another important point to note in this context is that segment may be large but may already be served by several well established competitors. The question naturally would be whether one would like to

enter such a segment should be weighed in terms of cost –benefit analysis and then take a decision.

Specific segmentation factors The specific segmentation factors that you need to consider are as follows:

Segment durability: Remember, segments based on fads and fashions are of a short duration that is their life cycles are ephemeral and your plans to tap such segments must take this into account. Besides, you can't think of making substantial investments in such ventures from the long-term point of view.

Mobility: Mobility means the movement in and out of a segment of members of a target group. If the mobility rate of target group members is high in respect of a certain product, say, hair oils, the company in order to keep its sales stable would have to attract new users to its product.

Visibility: Visibility refers to the extent to which the want of a target market or segment is distinctive. If what is sought by the members of that segment is perceived as very different from what is sought in other segments then the segment `loyalty' will be greater but those in other segments may regard that offering as very different and something which is not meant for them. Highly visible segments however, are likely to be more stable than other segments of a market.

Accessibility: Those in the segment or the target market should be directly reachable through established communications and distribution channels. If that particular segment cannot be reached then the entire exercise of market segmentation will be futile.

For evaluating segment options on the basis of these factors, please remember that you will have to weigh these factors in the context of your specific situation.

3.9 EVALUATION AND SELECTION OF MARKET SEGMENTS

Based on the criteria discussed above, the marketers make the assessment of the overall attractiveness of different market segments. The segment’s overall attractiveness should be evaluated from the viewpoint of a company’s objectives and resources. The segments should also match the company’s competencies and its vision. Further, the segments will be evaluated based on their key parameters such as size, growth, profitability, and scale of economies. After analysing different segments, the company will select one or many segments to serve. For example, a group of hotels can choose families as its target market or business executives as its target market or female travellers as its target market or International travellers as its target market. To elaborate further, the company can choose from the following approaches while selecting one or more segments as shown in **Figure 2.**

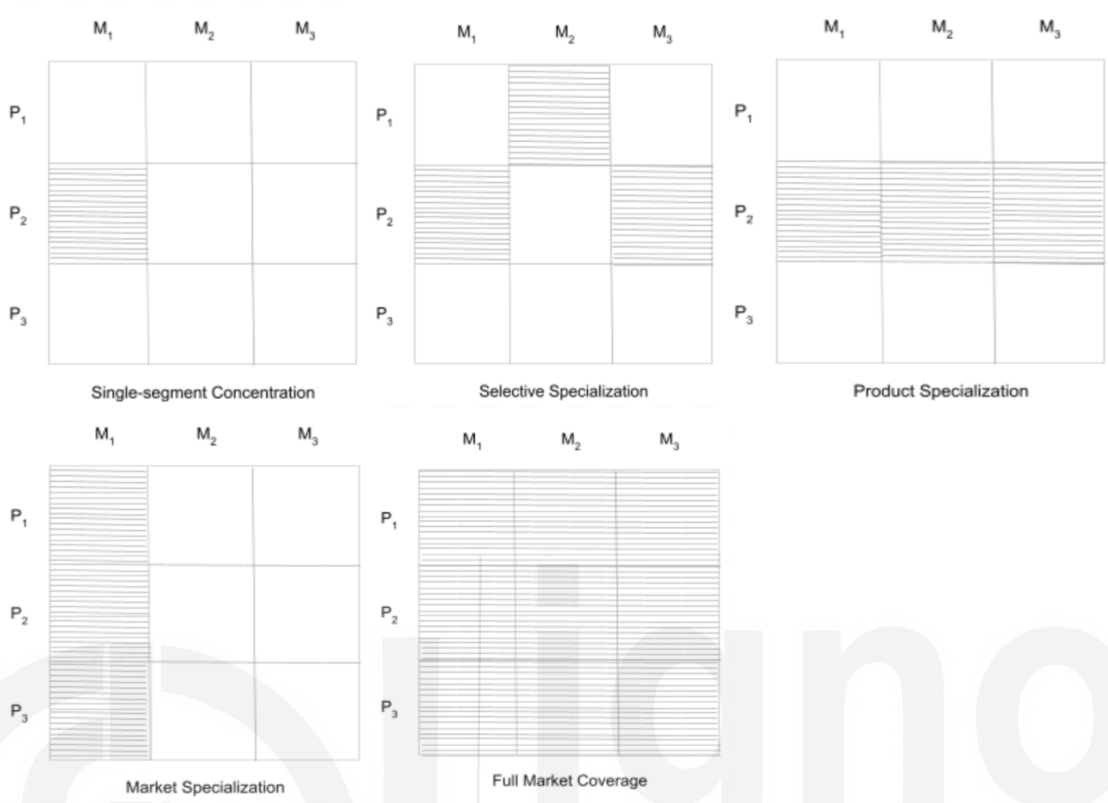

Fig. 2. Approaches to the Selection of Target Markets

Source: Adapted from Derek F. Abell, *Defining the Business: the Strategic Point of Strategic Planning,* Englewood Cliffs, N.J. Prentice Hall, 1980, pp. 192-96.

Single-segment concentration

As shown in **Figure 2**, the firm markets to only one particular segment. Through this approach, the firm wants to gain a thorough understanding of the needs of the segment to achieve a powerful market presence. For example when Nirma washing powder was launched it was targeted at the low-income segment. Woodland Worldwide, the company that owns and markets the Canadian brand, started offering ten footwear styles in India for 13-year-olds. The company instead of offering normal sports shoes tried to address the specific requirements of adolescents for skateboarding, surfing, rappelling, mountain biking and rafting.

Selective specialisation

In this case the firm selects a subset of all the possible segments which are attractive and suitable. This strategy has the merit of diversifying the firm's risk. The disadvantage of this approach is that it may not result in any positive synergy. However, a firm can try to achieve some positive synergy in the case of the other two approaches of product specialisation and market specialisation.

Product specialisation

In product specialisation, the company sells a particular product to different customer groups. A laptop manufacturer for example, sells to individual customers, government, educational institutions, and software companies. The main disadvantage in this approach is that the overdependence on a single type of product may lead to its replacement by totally new technology. We all know how typewriters and fixed phones were affected by new technologies.

Activity 8

Identify different customer groups (segments) of any company of your choice whose brands are targeted at them.

Company's name:

Customer groups (segments)	Brands
a. ----------	a.----------
b. ----------	b.----------
c. ----------	c.----------
d. ----------	d.----------
e. ----------	e.----------

Market specialisation

In this approach the firm attempts to focus on satisfying the varied needs of a specific segment, for instance, a pharmaceutical company can sell an assortment of products meant for surgeons in hospitals. Overdependence on a particular customer group implies business risk in this approach.

Full market coverage

Many large firms attempt to serve all customer groups by offering different products. For example, Hindustan Unilever Ltd (HUL) offers many brands of bathing soaps to cater for the needs of different customer groups. The same is the case with Maruti Suzuki with its range of models in the car market. Large companies try to cover an entire market in two ways: through undifferentiated or differentiated marketing.

In **undifferentiated marketing** (also known as mass marketing) the marketer ignores the differences among the segments and targets the entire market with a single offer. In other words, the firm develops a marketing programme for a single product and attempts to sell to the largest numbers of customers through mass production, mass distribution, and mass promotion. During the initial phase Hindustan Lever Ltd (now

HUL) had offered Surf for the whole market. Hindustan Motors and Premier Padmini also had followed undifferentiated marketing for many years by offering Ambassador and Fiat, cars respectively. The argument in favour of mass marketing is that it leads to low costs in view of the scale of economies.

However, in **differentiated marketing** the company sells different products to all the different segments of the market. As discussed, HUL has been following this approach in the case of the bathing soap market by offering different brands to cater for the needs of different customer groups. Though this approach increases the costs several companies prefer it because it would lead to a generation of large total sales which in turn leads to the attainment of market leadership in terms of market share.

3.10 MARKET POSITIONING

Once the market has been segmented and attractive segments have been identified, the next task is to work within a targeted segment to position the product offering in the minds of the consumers for adoption and derive customer satisfaction. We shall discuss the importance of developing a product and brand positioning.

Product Positioning: Product positioning is the creation of a clear image in the minds of consumers within the targeted segment about the nature of the product and the benefits to be gained from purchasing the product. Positioning is the complement of segmentation. That is, segmentation identifies those segments of the population that will act similarly and develops products to meet each segment's needs whereas, positioning in conveys information about the products back to the segments for which they are appropriate.

It is the position in the perceptual space of the consumer's mind that the product takes in relation to competitor's products, which is often verbalized by customers on certain attributes. Product positioning depends on market structure, competitive position of the firm and the concepts of substitution and competition among products.

According to Al Ries and Jack Trout, positioning is "the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market… Positioning is what you do to the mind of the prospect. You position the product in the prospect's mind." Therefore product positioning should be assessed by measuring consumer's or organisational buyer's perceptions and preference for the product in relation to its competitors.

Brand positioning involves implanting the brand's unique benefits and differences in customer's mind.

Requirements and Importance of Positioning

There is a high decibel of marketing communication aimed at consumers of today. They are exposed to various level and type of communication through multiple media

like newspaper, television, radio, internet and unconventional media like fairs, festivals, exhibitions, events and outdoor media. But the ability of the consumer to evaluate the information and remember all of them is limited by two factors. The consumer at a particular point of time pursues one consumption goal which makes other information redundant for him. Secondly, the ability of the consumer to process all the information is limited due to high level of distortion and poor retention rate in consumer's memory box.

As a result consumers are overloaded with information in market place but consumer's intention and ability to process this information is limited. Thus to simplify the buying process and reduce the mental tension consumer's group information about competing products, and evaluate them on perceptual attributes depending on perceived quality to create distinct position in their mind.

Activity 9

Identify and mention the brand names with benefits for following product category

Product Category	Brand Name
Detergent	----------
Fast Food	----------
Smartphone	----------

3.11 WHY POSITIONING IS IMPORTANT?

The following points emphasise the importance of positioning:

- A company's product cannot be 'everything to everyone.' Product differentiation would lead to the possibility of positioning.
- Positioning serves as the bridge connecting the company's offer with the target market.
- Positioning shows the way in which the Four Ps of marketing mix is to be planned, and blended in the firm's offering.
- Effective positioning helps the marketer and the customer as well. It clarifies the essence of a brand and identifies the goals to be achieved by a customer.
- Brand communication (promotion) becomes more effective because the marketers take into account the consumer insights while deciding upon a positioning strategy.

3.12 DEVELOPING THE POSITIONING STRATEGY

Now let us discuss the tasks to be handled in brand positioning. Successful positioning depends on how efficiently a marketer is handling the following tasks in an integrated way:

How to lodge the brand in the customer's mind?

The firms in any fiercely competitive market struggle for securing a position in the perceptual space of the customer's mind, and also in retaining it. This involves the industry and competitive analysis. Without having an in-depth analysis of the structure of the industry, nature of competition, which is the dominant players, and their strengths and limitations, it would not be possible to locate possible positioning opportunities.

Analysis of competitive positioning

Marketers should study the positioning of competitive brands using product attributes that are important for their target segments. This would enable them to analyse whether the competitors' actual position is different from the buyers' ideal position. In this connection, the company's marketing research (as discussed in Unit-2 of this course) efforts play an important role in determining customers' ideal positioning.

Specifically, the analysis of the positioning of competitive offerings requires the following tasks:

- ***Competitive frame of reference:*** It involves identifying the brands which should be the focus of competitive analysis. Competition can be examined from the viewpoints of an industry and a market. An industry is a group of firms offering products that are close substitutes. Industries can be classified according to the number of sellers and buyers, degree of product differentiation, barriers of entry and exit, cost structure, and impact of globalisation. In the market approach, competitors are defined as firms that satisfy the same or similar customer needs. It should be remembered that the company should not suffer from 'marketing myopia' (as discussed in Unit-1 of this course) and avoid confining to competitors in the traditional category. For example, BSNL focused on fixed/landline phones and missed seeing the market for mobile phones.

- ***Analysing competitors:*** The Company should analyse the strengths and weaknesses of each of the competitors. It should also understand the objectives and strategies of its competitors. Other factors like history, size, present management and financial position will also play an important role in competitive analysis.

- ***Points-of-difference and points-of-parity:*** After determining the competitive frame of reference by clearly understanding the nature of competition therein, the marketers try to define the suitable Points-of-Difference (PODs) and Points-of-Parity (POPs) associations. Any benefit or attribute associated with a brand can serve as a POD as long as the customers are convinced about it. Brands having PODs are Zomato (digital presence, personalisation driven by technology), Uber (drive, innovation, delight), Maruti Swift (spacious cabin, adequate legroom), and Honda Activa (engine reliability, service convenience) are a few examples of PODs.

Take any successful brand you will certainly find a strong and unique association of customer groups (segments) with such brands.

On the other hand, POPs may not be unique to the brand however; such attributes or benefits may be shared with other brands. Here is a classic example of POPs. Dettol the antiseptic lotion of Reckitt Benckiser is a well-known brand. The main attributes of Dettol are the strong smell, the liquid turning cloudy when poured on water, and the stinging sensation when the liquid touches the wound. When Savlon was introduced in the market, it had to counter the perception of the customers. So Savlon was positioned and advertised as the product of superior efficacy and stressed the "no-sting" attribute of the brand as the key differentiator.

- ***Multiple frames of reference:*** When a company is facing competitive brands, then it may choose the most important set of competitors to serve as the competitive frame. It may not be easy to enter such a fiercely competitive market unless the company finds a segment through a unique positioning strategy based on a USP (Unique Selling Proposition) where the existing competitors are underperforming.

An example of P&G's Ariel

Procter & Gamble (P&G) entered the Indian detergent market with its brand Ariel in 1991 at a time when the detergent space was highly competitive with the strong presence of Nirma, Surf, Rin and Wheel. With its unique positioning strategy the new Ariel earned the image of a brand that can remove the most dirtiest and stubborn stains with every wash. Ariel brands emerged as the most preferred detergent which was launched with a combination of enzymes and bleach without damaging clothes. With the increase in the usage of washing machines, P&G started offering many innovative brands like bleach-free chemicals, fragrance detergents, and increasing brightness etc. Some of the top Ariel variants launched include Ariel Matic front load, Ariel Matic top load, and Ariel 24 hour's fresh. In 2020*, Ariel 3in1 PODs* were launched in India which is pre-dosed washing capsules filled with concentrate liquid detergent. Ariel's positioning strategy is broadly based on the premise that clothes are like mementos for the users so it is vital to preserving them.

Alternatively, in case there are many competitors in different categories or sub-categories, the company can develop the positioning platform under each category. However, all brand differences are not worthwhile for positioning and they do not necessarily carry same meaning to the consumers. The distinction should satisfy the following criteria:

- ***Distinctive***: Company can offer better than the competitors.
- ***Superior***: The difference is superior to other ways that the customers might obtain the same benefit.
- ***Profitable***: The marketer can introduce the difference with a profit,
- ***Pre-emptive***: Competitors cannot imitate the difference easily.
- ***Affordable***: Buyers can afford to pay for the difference.
- ***Communicable***: The difference should be communicable and visible to the buyer.
- ***Important***: The difference delivers a highly values benefit to target buyers.

3.13 DECIDING THE POSITIONING THEME

Some of the themes on which a brand's positioning can be based are: Positioning against the competitor, positioning on the customer's desire, positioning on product's performance (or quality) and positioning on price.

Positioning against competitors product: Both implicit and explicit positioning strategies are used against rival products. For example attribute comparison shown by cars which highlight their own features without naming their competitor's name is an example of implicit positioning. In the explicit positioning, the product is positioned by comparing its superior features with other products.

Positioning on products benefits:

In this positioning strategy, the marketer highlights the benefits of the product to the consumer. For example, herbal skin care products focus on natural ingredients used with no side effects and skin friendly etc.

Positioning on price: Positioning strategy on the basis of pricing a brand intends to be one of the cheapest in the market. For example, Supermarket chains often have their private label (in house) brands with lower price in comparison to other branded products. However, positioning a product based on its 'luxury' is different from positioning based on price. Luxury brands highlight prestige or quality associated with products than price.

Activity 10

Identify two successful brands under each of the following categories of brand positioning:

Categories of brand positioning	Successful brands
Against the competitor	----------
On product's performance	----------
Based on price	----------

Ensuring competitive advantage

The company should build the required differentiators that will support the positioning. Only a well-equipped company has the capacity to provide differentiators. Successful differentiation and positioning centres on the competitive advantage that has been created by a firm over a period of time. Competitive advantage is a company's ability to perform in one or more ways that competitors cannot or will not match. Practically, only a few companies enjoy sustainable competitive advantages.

Let's look at some of the key dimensions through which the companies try to differentiate their offerings. Better-trained employees of a company have the capacity to offer superior customer service. This is especially true in the case of services businesses, such as hospitals, restaurants, and banks. Such differentiation is called employee differentiation. Today, many companies are using distribution channels to differentiate their products or services distinct from those of their competitors. Eureka Forbes is a popular example in this regard. The company achieved differentiated positioning and competitive advantage through its direct-to-home channel in respect of its vacuum cleaners and water purifiers. Through digital technology nowadays many marketers created new segments by making buying easier enjoyable and rewarding. Instances of Zomato, Uber, and Practo apps for food delivery, transportation and medical doctors respectively highly visible and successful too.

Communicating to target customers

Promotion (or marketing communication) plays an important role in the effective positioning of a brand. But positioning should not be considered synonymous with promotion. Promotion shoulders the responsibility of taking the positioning to the target market in a convincing and creative way. Sometimes, the customers may perceive the product in a way different from what is intended by the marketer. Even a successfully positioned product must have been repositioned at a later stage of the product life cycle due to the new challenges to be faced by it. However, it is not easy to reposition a wrongly positioned product. Brands require continuous monitoring throughout their life cycle. Positioning is not a task to be left to the advertising agency it is in fact a core activity of strategic marketing. That is how market segmentation, targeting, and positioning get interlinked as discussed earlier.

Determining the effectiveness of positioning

Practically it is not easy to know whether your company has a good positioning strategy. However, marketers are interested to know whether the strategy yielded the desired results in terms of sales, market share, profit contribution, customer satisfaction, and other outcomes relating to competitive advantage. As discussed, companies normally do not like to change their positioning strategies frequently. At the same time, they should be ready to make adjustments at different stages of the product life cycle depending on the challenges posed, and opportunities offered by the environment. Therefore, a brand's positioning strategy should be evaluated on a regular basis in the light of changing nature of competitors, their strategies, and shifting customer preferences.

The companies should avoid committing the following P**ositioning Errors:**

- ***Under positioning***: If customers have only vague ideas about the company and its products and do not perceive anything distinctive about them.
- ***Over positioning:*** when customers have too narrow an understanding of the company, product, or brand. For example, buyers think that Apple technologies only come out with expensive products, whereas Apple has a range of products at different prices.
- ***Confused positioning: is*** characterised by frequent changes and contradictory messages confuse customers regarding the positioning of the brand.
- ***Doubtful positioning -*** when the claims made for the product or brand are not regarded as credible by the customer.

3.14 MARKET REPOSITIONING

Any discussion on the positioning is not complete without a mention of Repositioning.

The marketers can go for repositioning due to two reasons viz. the failure of the current positioning strategy due to the positioning mistakes like under positioning, over positioning and confused or doubtful positioning paves way for another positioning opportunity due to evolution of the customers on value life cycle or emergence of new technology to redefine the structure of competition.

For example India Post, the public sector giant has been enjoying enormous market dominance in the Indian logistical market. This organisation wanted to break the stereotypical image of being a usual government organisation. They improved their public image through the positioning strategy which involves a new tagline of "Giving Wings to Your Dreams" to convey a strong message to the Indian public.

Repositioning will follow the same process like that of positioning as discussed with suitable modifications on the selection of competitive advantage in the new context.

3. 15 SUMMARY

We started this unit by defining the market segmentation. A market segment was explained to mean a homogeneous group consisting of buyers who seek the same offering. Market as a set and a segment as a subset is the basis on which the process of segmentation is carried out. The output of a segmentation analysis is therefore:

- a profile of our customer target group, focusing on those details that will best help us develop product, promotional, pricing and distribution strategies;
- the set of benefits sought so we can build our offering to match the configuration of benefits sought and then select benefits in our offering that will constitute a critical advantage to act as the buying inducement,

Subsequently we discussed bases for segmentation principally on the basis of benefit, demographic including social and family life cycle, and psychographic i.e., life style including personality variables. The other bases, viz. usage rate with focus on heavy users, brand loyalty and generation were also explained. Bases for industrial or organizational segmentation were also discussed.

It was further emphasised that the firms should consider certain criteria to determine how far the segments are effective. Factors both general and specific for evaluating segment options were explained. Such an evaluation should be made from the viewpoint of a company's objectives, resources, and competencies. The market segments should also be evaluated based on their key parameters. The company can choose from the following approaches: single-segment concentration, selective specialisation, product specialisation, market specialisation, and full market coverage. Through undifferentiated or differentiated marketing companies try to cover an entire market.

Finally, the concept of positioning was discussed. Positioning serves as the bridge connecting the company's offer and image to occupy a distinctive place in the minds of the target market.

3.16 KEYWORDS

AIO: It signifies the lifestyles of people with the activities, interests and opinions

Benefit segmentation: It means dividing the market based on buyers' expected benefits from a product.

Competitive frame of reference: It means identifying the brands which should be the focus of competitive analysis.

Demographic segmentation: It involves using variables such as age, family life cycle, gender, income, socio-economic classification, generation, and so on.

Differentiated marketing: Here, the company sells different products to all the different segments of the market.

Full market coverage: It means a firm attempting to serve all segments by offering different products.

Geographic segmentation: It means dividing the market into different geographical units such as nations, regions, States, cities, rural, urban and semi-urban areas.

Hard-core loyals: The customers who buy only one brand always.

Market aggregation: In market aggregation, the marketer goes against the idea of dividing (segmenting) the customers into certain distinct groups, and instead decides to sell the same product to the whole market.

Market positioning: It involves establishing and communicating the distinctive benefit of the company's offering in the mind of the target customers.

Market segmentation: It is the process of dividing the heterogeneous customers into certain groups or segments each of which tends to be homogeneous with insignificant respect.

Market specialisation: In this approach, the film attempts to focus on satisfying the varied needs of a specific segment.

Market targeting: It means evaluation and selection of one or more customer groups or segments to enter whose value requirements provide a good match with the organisation's capabilities.

Multiple frames of reference: It involves choosing the most important set of competitors to serve as the competitive frame.

Product specialisation: It is a situation where the company sells a particular product to different customer groups.

Psychographics: It is the science of using psychology and demographics to better understand consumers.

Psychographic segmentation: Here, buyers are divided into different segments based on personality traits, lifestyle, and values.

Segmentation analysis: It involves attaining a closer match between customers' value preferences and the marketing firm's capabilities in comparison with those of the competitive firms.

Selective specialisation: It is a situation where the firm selects a subset of all the possible segments which are attractive and suitable.

Single-segment concentration: It is a situation where the firm markets to only one particular segment.

Shifting loyals: The customers who shift loyalty from one brand to another.

Split loyals: The customers who are loyal to two or three brands.

Switchers: The customers who are not loyal to any brand.

Undifferentiated marketing: It means when the marketer ignores the differences among the segments and targets the entire market with a single offer.

3.17 SELF-ASSESSMENT QUESTIONS

1. "Market segmentation is important for target markets and target markets are important for product positioning." Select two products one each from FMCG and consumer durables of your choice and discuss the above statement.
2. Discuss the suitable bases for segmenting the market for the following products. Justify your answer with examples.

   a. Cellular services b. New-gen version of a car

   c. Robot to clean up the house d. Branded fruits
3. What kind of market targeting strategies should be followed for the following products and why? Justify.

   a. Business newspapers b. Mid-price hospitals c. Grooming products for men
4. How are the brands relating to the following product categories positioned in the Indian market?

   a. Premium Ink Pens b. Low priced Laptops c. 350 c c Motorcycle d. Face masks conforming to WHO standards.

3.18 SUGGESTED READINGS

David W. Cravens and Nigel F. Piercy, *Strategic Marketing,* Eighth edition (2010), Tata McGraw Hill, New Delhi, India.

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Ramaswamy V S and Namakumari S, *Marketing Management: Global Perspective Indian Context,* Fourth edition (2010), Macmillan, Delhi, India.

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UNIT 4 CONSUMER BEHAVIOUR

Objectives

The objectives of this unit are to:

- define what is meant by consumer behaviour
- understand its role and importance for a marketer
- identify the major factors that influence a consumer's purchase decision and behaviour
- study each of the major influencing factors in detail to be able to understand
- know the levels of consumer decisions
- appreciate the process of decision making
- relate models of consumer behaviour
- understand organisational buying behaviour and the process of organisation buying

Structure

4.1 Introduction

4.2 Consumer Behaviour and Its importance for marketers

4.3 Types- of -Consumers

4.4 Buyer versus User

4.5 A Model of Consumer Behaviour

4.6 Factors influencing Consumer Behaviour

4.7 Psychological Factors

4.8 Personal Factors

4.9 Social Factors

4.10 Cultural Factors

4.11 What is a Decision?

4.12 Levels of Consumer Decisions

4.13 Process of Decision – Making

4.14 Types of Purchase Decision Behaviour

4.15 Stages in Consumer Buying Process

4.16 Models of Buyer Behaviour

4.17 What is Organisational Buying Behaviour?

4.18 Organisational Buying Process

4.19 Factor Affecting Organisational Buying

4.20 Summary

4.21 Key Words

4.22 Self-assessment Test

4.23 Further Readings

4.1 INTRODUCTION

Mr.Rao is an office Manager with a fast growing midsized Advertising Agency in the city of Hyderabad of Telengana state. Mr. Rao's wife is a home maker while his son is an IT professional and his daughter is a management graduate. Each member of Mr.Rao's household is a well defined consumer entity having different tastes and preferences, likes - and dislikes and adopts different behaviour patterns while making purchase decisions.

The family may prefer to use either Colgate or Pepsodent toothpaste, Cinthol or Dove toilet soap and Halo or Head and Shoulders shampoo or any other specific brand that each member may buy and use as per their affinity or loyalty towards the same. If you closely observe Mr. Rao's and his family buying patterns you would try to relate almost a similar behaviour pattern in your own family as well.

As a consumer you may have a certain set of preferences in food, clothing, books, magazines, recreational activities, forms of savings and the stores from where you prefer to shop, which may be different not only from those of your family members but also your friends, neighbours and colleagues. Each consumer is unique and this uniqueness is reflected in the consumption behaviour and pattern and process of purchase. The study of consumer behaviour provides us with reasons why consumers differ from one another in buying and using products and services.

`What' products and services do we buy, `why' do we buy, `how often' do we buy, from `where' do we buy, `how' we buy, etc. are the issues which are dealt with in the discipline of consumer behaviour.

Consumer behaviour can be defined as those acts of individuals (consumers) directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts.

As we know that Mr.Rao is an office manager by profession in an advertising firm. In view of the rapid growth in terms of acquiring new clients and rendering best of their services the management felt that the current desk tops being used by the executives needs to be replaced with a more advanced and sophisticated systems for superior quality and speed. Mr.Rao was assigned the task of identifying and compiling some of the best brands available in the market and to prepare a detailed summary of each of the systems on various criteria and to submit to the management for further course of action.

In the above scenario you will find that Mr Rao is playing a dual role both as an individual or personal consumer in the context of the household with his own likes and dislikes in choosing his products or service offerings. While on the other hand having been assigned the task of identifying and purchasing new desk tops for the company he would be buying on behalf of the organisation as an organisational buyer by virtue as of his position as an office manager. Therefore when he is buying for the organisation his buying process and behaviour would be completely different in terms of product identification, brand selection and choice, the pricing, the delivery, installation after sales service and a host of allied aspects will be considered. This change in organisational buying behaviour is primarily due to the firm's policies and procedures and other set of guidelines that as an employee he should adhere while acquiring any kind of assets for the organisation.

In this unit we shall discuss some of the basic issues of consumer behaviour and shall outline the major influences which shape an individual's consumer behaviour and preferences. The unit also discusses how as a personal consumer and an organisational consumer arrives at the decision to purchase a specific product or brand out of the so many available in the market. In other words, we shall study the process of consumer decision making. Besides, we will also touch upon individual behaviour and major influences while buying on behalf of the organisation as in case of Mr.Rao called as organisational buying behaviour.

4.2 CONSUMER BEHAVIOUR AND ITS IMPORTANCE FOR MARKETERS

Consumer behaviour is helpful in understanding the purchase behaviour and preferences of different consumers. As consumers, we differ in terms of our sex, age, education, occupation, income, family set-up, religion, nationality and social status. Because of these different background factors we have different needs and we only buy those products and services which we think will satisfy our needs. In marketing terminology, specific types or group of consumers buying different products (or variation of the same basic product) represent different market segments.

To successfully market to different market segments, the marketing manager needs appropriate marketing strategies which he can design only when he understands the factors which account for these differences in consumer behaviour and tastes. In today's world of rapidly changing technology, consumer tastes and preferences are also characterised by rapid changes. To survive in the market, a firm has to be constantly innovating and understand the latest consumer trends and tastes. Consumer behaviour provides invaluable clues and guidelines to marketers on new technological frontiers which they should explore. For example, let us consider the advent of smart television in India. When we switched over from CRT colour television sets in the late nineties, the consumers exhibited a desire to purchase smart TV for closer-to-life picture viewing with advanced applications and sophisticated features.

Consumer behaviour is a process, and purchase forms one part of this process. There are various endogenous psychological and exogenous environmental factors which influence this process. All these factors and the type of influence which they exert on an individual's

consumption behaviour can be understood and analysed. Moreover, some of these factors can be further influenced by specific elements of the marketing strategy, so that the consumer behaviour process results in a definite purchase decision. To the extent that the marketer can understand and manipulate the influencing factors, he can predict the behaviour of consumers. Though prediction can never be absolutely accurate, it certainly reduces the risk associated with different marketing strategies. Thus, the importance of consumer behaviour lies in the fact that behaviour can be understood and influenced to ensure a positive purchase decision. The marketing manager's interest lies exactly here i.e. to ensure that his marketing strategy results in purchase of the product.

Activity 1

To get a preliminary idea about the study and applications of consumer behaviour complete the following table in terms of your own purchase behaviour. What are your reasons for purchasing following products and services?

i) Groceries ……
ii) Health Drink ……
iii) Smart Phone ……
iv) Salon Service ……
v) Footwear ……

a) Which brand do you normally purchase?

i) Groceries ……
ii) Health Drink ……
iii) Smart Phone ……
iv) Salon Service ……
v) Footwear ----------

b) How often/how much do you buy at a time?

i) Groceries ……
ii) Health Drink ……
iii) Smart Phone ……
iv) Salon Service ……
v) Footwear ----------

c) From where do you usually purchase? (Type of retail outlet)

i) Groceries ……
ii) Health Drink ……
iii) Smart Phone ……
iv) Salon Service ……
v) Footwear .....

d) Conduct a similar exercise for one of your close friends and compare his/her purchase behaviour with your own. Are there any differences? Identify the reasons for these differences.

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4.3 TYPES-OF-CONSUMERS

All consumers can be classified into two types -personal and organisational. When you buy a shirt for your own use - you are buying in your capacity as a personal consumer. However, when you are buying a computer for use in office you are making the purchase in your capacity as an organisational consumer. Whenever you buy goods and services for your own or for family use, you are a representative of a personal consumer. All individuals thus fall in the category of personal consumer. All business firms, government agencies and bodies, non-business organisations such as hospitals, temples, and trusts are organisational consumers of goods and services purchased for running the organisation. In this unit our focus is on the personal consumer and factors influencing his/her behaviour. We will also touch upon the organisational consumers as well and the factors influencing their behaviour.

4.4 BUYER VERSUS USER

Often the person who purchases the product is not the person who actually consumes or uses the product. A mother buys toys and clothes for consumption by her young children. The mother is the buyer but the actual consumers are the children. A car is purchased by the husband or the wife but is used by all the members of the family. Thus, in the family context, you may either have the situation where the buyer is distinct from the consumer or the buyer is only one of the many consumers. The question that arises is: Who should be the subject of study in consumer behaviour? Should we study the buyer or the consumer? To overcome this problem, in many instances it is the household or the family and not the individual who is considered the subject of the study.

As a marketer, should have a very sharply defined focus for marketing strategy, especially promotional strategy. You must identify the best prospect for your products-whether it is the buyer or the user. But even when the consumer is distinct from the buyer,

the consumer's likes and dislikes, taste, etc. influence the buyer's decision to purchase a specific product or brand. Thus many companies play it safe and focus their promotion at both the user and the buyer. Consider the promotional message of Maggi noodles and Rasna Soft drink concentrate: the taste and fun aspects of both these products are meant to appeal to the children who are the major consumers, while, the convenience (in case of noodles) and economy (in case of Rasna) are meant to appeal to the mothers who are the buyers.

Activity 2

a) Identify which of the members within your own family are likely to be the buyers and users for the following products:

Product	Buyer	User
Mosquito Repellent	…….	…….
Air Cooler	…….	…….
Blue Detergent	…….	…….
Electric Bike	…….	…….
Business magazine	…….	…….
Milk and Dairy Products	…….	…….

b) In the above analysis, which of your family member plays the buyer role most of the times? Identify the reasons and explain.

_____
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_____

4.5 A MODEL OF CONSUMER BEHAVIOUR

A consumer's decision to purchase a particular product or service is the result of complex interplay of a number of variables. The starting point for the decision process is provided by the company's marketing stimuli in the shape of product, promotion, price and distribution strategy.

The marketing stimuli are received by the potential consumer along with the other stimuli already existing in the environment. These stimuli may be social, economic, cultural, technological and political in nature. At the point of receiving the marketing stimuli, the consumer already has a certain mental, emotional and psychological frame of mind developed over the years by his cultural, religious, social, family and psychological background. However, most of these factors (or buyer characteristics) exert their influence at the sub-conscious level so that the consumer is not really aware of their existence or working.

When a stimulus is received, the consumer goes through an elaborate process of: decision-making in terms of receiving, retaining, interpreting and evaluating the stimuli according to his own framework. Depending on the nature of product being purchased, this process may

work at the sub-conscious level or it may be overt, the time taken to make the decision may vary from a few seconds to a few days or months. The buyer characteristics and buyer decision-making process in conjunction with marketing stimuli lead to a decision to either buy the product or not to buy.

For instance, you are on your way home from office after a hot, long, tiring day. On the way you see a hoarding for a lemonade drink which promises to be cool, refreshing and tasteful. This hoarding provides you a stimulus to stop at the nearest cold drink shop and drink lemonade. All three brands (X, Y&Z) are available at the shop at a certain price. You can recall some association with each of the three brands from the advertisements you have seen on TV, hoardings and magazines. You buy a particular brand of cola and consume it. The initial stimulus for this purchase and consumption was provided by the hoarding. This was further backed up by other stimuli such as product display in the shop, watching other consumers buy a particular brand, any point-of-purchase promotion material, earlier satisfaction with a given brand etc. Your response to these stimuli results in a purchase of a particular brand. In between, the process of receiving these stimuli and responding to them, you went through a decision-making process. The stimuli, the process of decision-making and response constitute a simple model of consumer behaviour as shown in Figure I.

Figure I
A Simple Model of Consumer Behaviour

Input	**EXTERNAL INFLUENCES** **Marketing Stimuli** — **Other Stimuli** Product — Economic Price — Technological Promotion — Political Channel of distribution — Social
Process	**CONSUMER DECISION MAKING** Buyer Characteristics — Buyer Decision Process Psychological Personal and Cultural characteristics
Output	**CONSUMER DECISIONS AND ACTIONS** Product choice Brand choice Dealer choice Purchase timing Purchase amount

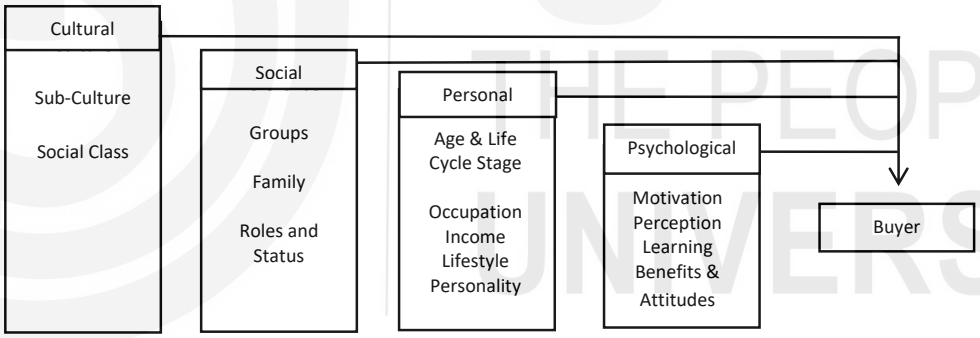
4.6 FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer behaviour is affected by a host of variables, ranging from personal motivations, needs, attitudes and values, personality characteristics, socio-economic and cultural

background, age, sex, professional status to social influences of various kinds exerted by family, friends, colleagues and society as a whole. The combinations of these various factors produce a different impact on each one of us as manifested in our different behaviour as consumers. You may think that the best way of utilising your annual saving is to have a holiday, but your wife thinks it is wisest to invest in a house, while your colleague considers buying shares as the best way of spending savings. Thus you would find that each person has his or her own standards of judgments and distinct behaviour in every aspect of his role as a consumer. But at the same time, underlying the individual differences are similarities which help explain behaviour of specific types or groups of people. It is these similarities which make it possible for us to classify and analyse the behaviour of individual consumers.

Psychological factors such as individual consumer needs and motivations, perceptions, attitudes, the learning process and personality characteristics are the similarities which operate across different types of people and influence their behaviour. Amongst the social influences affecting behaviour, we can classify the influences of family, friends, leaders and the social class to which the 'consumer belongs. Figure II exhibits a detailed model of factors influencing consumer behaviour. We shall discuss these factors one by one and see how they influence the individual's behaviour as a consumer.

Figure II
Detailed Model of Factors Influencing Consumer Behaviour



4.7 PSYCHOLOGICAL FACTORS

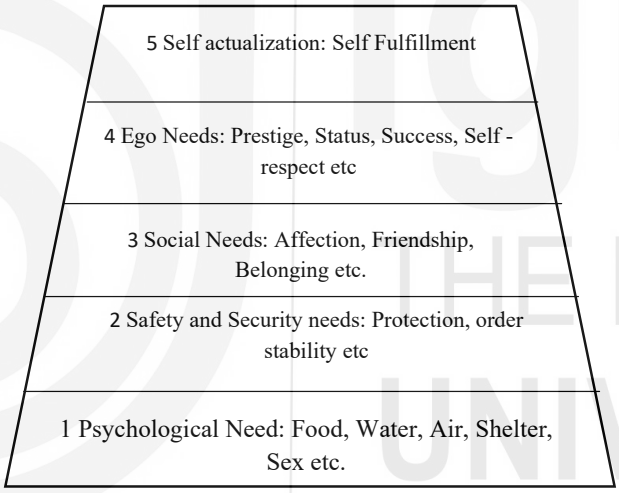
Consumer Needs and Motivations

We all have needs and we consume different goods and services with the expectation that they will help fulfil these needs. When a need is sufficiently pressing, it directs the person to seek its satisfaction. It is known as motive. All our needs can be classified into two categories-primary and secondary. Primary needs or motives are the physiological needs which we are born with, such as the need for air, water, food, clothing, shelter and sex. The secondary needs are our acquired needs which we have developed in response to the society and environment in which we live. The secondary needs are the result of the individuals' psychological make-up and his relationship with other members of the society. The secondary needs may include the need for power, prestige, esteem, affection, learning, status

etc. Clothing is a primary need for all of us; but the need for three piece Raymond suit, or kanjivaram saree or silk kimono is expressions of our acquired needs. The man wearing a three piece Raymond suit may be seeking to fulfil his status need or his ego need by impressing his friends and family.

All human needs can be classified into five hierarchical categories and this hierarchy is universally applicable (Fig.III). The theory of hierarchy of needs was propounded by Abraham Maslow. According to Maslow's hierarchy all needs can be ranked in order of importance from the low biological needs to the higher level psychological needs. Each level of unfulfilled need motivates the individual's' behaviour, and as each successive level of need is fulfilled people keep moving on to the next higher level of need. In figure III the different levels of needs have been depicted as being water tight compartments, but in reality there is always overlap amongst the different levels of needs, since no need is ever totally satisfied. There is always scope for further fulfilment.

Figure III: Maslow's Hierarchy of Needs


5 Self actualization: Self Fulfillment
4 Ego Needs: Prestige, Status, Success, Self - respect etc
3 Social Needs: Affection, Friendship, Belonging etc.
2 Safety and Security needs: Protection, order stability etc
1 Psychological Need: Food, Water, Air, Shelter, Sex etc.

Maslow's hierarchy-of human needs helps us understand consumer motivations. It is useful for the marketer who can identify what generic level need his product is capable of fulfilling and accordingly position his product and back it up with relevant marketing inputs. Products such as food and Clothing are bought to fulfil physiological needs; insurance, burglar alarms, security services are purchased because they fulfil safety needs; most personal care products such as soap, toothpaste, shaving cream, perfume are bought primarily because they serve social needs, And luxury products such as jewellery, expensive clothing, fancy house and cars are bought mainly to serve ego and self actualisation needs. The same product can be sold to entirely distinct customer segments provided the marketer can correctly identify the need which the product is fulfilling. For instance, a bicycle may be bought by different customer segments for entirely different reasons. One segment may buy to use it as a means of commuting. For another segment, a bicycle serves a recreational/leisure need while for a third segment, it fulfils the need of a health aid. Still another customer segment buys a bicycle

for converting into a rickshaw or bicycle cart for selling fruits, vegetables etc. A bicycle is also purchased for use in competitive sport.

Perception

The second major psychological factor that influences consumer behaviour is perception. Perception can be described as "how we see the world around us". All the time we are receiving messages through our five Sense organs viz., eyes, ears, nose, mouth and skin. The different sights, sounds, smells, tastes and sensations that we feel are known as stimuli. Each person recognises, selects, organises and interprets these stimuli in his own individual manner based on his needs, values and expectations and this is known as perception. Since each individual's needs, motives and expectations are unique therefore each individual's perception is unique.

Perception helps to explain the phenomenon of why different individuals respond differently to the same stimulus under the same condition. As a marketing manager, you are providing stimulus to your consumers through the physical shape, colour, size, fragrance, and feel, taste of your product, its package, advertisements and commercials. Your interest is to understand why and what different types of perceptions are associated with each of the stimuli so that you can highlight that particular stimulus or combination of stimuli which evokes the most favourable perception in the maximum number of consumers. For example, generally consumers tend to perceive the quality of perfumes on the basis of package, brand name, price and manufacturer's image.

Every day, every hour of our life we are being bombarded with a variety of stimuli. If we were to analyse and interpret each one of these stimuli, it may drive us crazy. But we all have an in-built screening system which helps us to ‘select’ and ‘recognise’ only the relevant stimuli and ignore all the others. As a person involved in marketing, you would like to ensure that the stimuli which you are providing are not ignored by the consumers, but rather they are recognised, interpreted and retained in the consumer memory. In this context, there are three aspects of perception which are of immediate interest to the marketer. These are selective exposure, selective distortion and selective retention.

Selective exposure: You must have noticed that when you are on the look-out for purchasing a specific product, be it bike, refrigerator, television or any other high value product or service, you suddenly seem to notice more than the usual number of advertisements pertaining to that specific product. This is because of your selective exposure. People are more likely to notice stimuli which relate to their immediate needs. For the marketer, the implication is that he has to carefully and accurately identify his potential customers since other customers are not at all likely to notice the stimuli. Having identified the potential customers, the marketer has to ensure that the stimuli are interesting enough to attract and hold their attention.

Selective Distortion: Let us suppose you have decided to purchase a specific brand `A' of pressure cooker. Since you have already made your decision you would seek only that information which reinforces the correctness of your decision.

If you hear some positive remarks made about brand `B' you would tend to find some shortcoming or flaw in that brand so that you do not feel that you have made a wrong decision by buying brand 'A'. When you attempt to fit information to suit your own ideas or personal meaning, the process is known as selective distortion. Thus, a marketer may find that his message is often not received in the intended manner but it is twisted in different ways by different consumers.

Selective Retention: People forget much of the stimuli which they receive and only retain that information which reinforces their values and decision. You are more likely to remember the positive features of brand `A' pressure cooker since they help reassure you that the decision which you had made was correct.

Activity 3

What do you think are -the bases for perceiving quality in the following products/services?

i) Green Vegetables …….....
ii) A pair of Denim …….....
iii) Multiplex …….....
iv) Dry Fruits …….....
v) Laptop …….....
vi) OTT Streaming Service …….....
vii) Wellness Products…….....
viii) Cab Service …….....
ix) Online Banking ……...
x) Detergent Powder …….....
xi) Electric Toaster…….....
xii) Crockery…….....
xiii) Stainless Steel Utensils …….....

Learning

A new born infant's sucking at the feeding bottle is instinctive behaviour, but a five year old clamouring for chocolate or chewing gum is the result of learned behaviour. Much of an adult's human behaviour is learned behaviour.

This is a very significant fact for marketers, because it implies that consumers can be made to learn the desired behaviour through an inter play of motives, stimuli, cues, responses and reinforcements. A housewife has the need for cutting down the time she spends for cooking

in the kitchen. When this need is strong enough to propel her to take action it becomes a motive. The motive is directed towards the stimulus object - a pressure cooker. The stimuli are the various advertisements about the product which she sees and hears. Cues are minor stimuli that determine when, where and how the housewife responds. Positive feedback about pressure cooker from a friend, seeing it on display in a show-window, a special introductory price offer is all examples of cues which influence a housewife's response to the motive for buying a pressure cooker. Suppose the housewife buys the pressure cooker and is satisfied with its performance, then the chances are that she would like to use it as often as possible, and in the future may buy another one. The housewife's response to pressure cookers has been reinforced.

At some later stage, the same housewife wants to buy a food processor. Since she has had a positive experience with brand 'A' pressure cooker, she may infer that the company manufacturing brand 'A' also makes good food processor and choose it over other brands. This is known as `generalisation' of response.

Learning refers to the skill and knowledge gained from past experience which we apply to evaluate future decisions and situations. A marketer can build up demand for his brand by associating it with strong motives, using the appropriate stimuli and cues and providing positive reinforcement, thus making the consumer `learn' that the brand is good and worth patronising.

Beliefs and Attitudes

A belief is a descriptive thought that a person has about something. A person may believe that a certain cooking oil 'X' has the lowest fat content and is best for health. This belief may be based on some real facts or it may merely be a notion or opinion that the person has. The belief that the customer has about a brand is important because it determines his behaviour towards buying and using it. The beliefs constitute the brand image, and if the customer has the wrong beliefs he is likely to generate a negative image about the brand. The marketer must ensure that consumers have all relevant and correct information about the brand to facilitate formation of a positive brand image.

Attitude is a person's enduring feeling, evaluation and tendency towards a particular idea or object. Starting from childhood, attitudes develop over the time with each fresh knowledge input, experience and influence. Attitudes get settled into, specific patterns and are difficult to change. It is easier to market a product which fits in well with the existing patterns of attitudes rather than change the attitudes to fit a new product concept.

Activity 4

a) A company is planning to introduce a growth promoting hair oil for women in the Indian market. As a marketing consultant to this company, what motivational, perceptual and attitudinal characteristics will you consider for devising the four P's for this product?

i) Product

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i) Price

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ii) Promotion

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iii) Place (Distribution)

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iv) Kindly repeat similar activity for a service such as dry-cleaning

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4.8 PERSONAL FACTORS

A consumer's purchase decisions are also affected by his personal characteristics such as age, sex, and stage in family life-cycle, education, occupation, income, life-style, his overall personality and overall self-concept. We shall now discuss some of the influences.

Demographic factors and life-cycle stage

The first factor influencing a buyer's decision is his age. The need for different products and services changes with age. Babies and children have special needs for products such as milk powder, baby foods and toys. Young adults need clothes, recreational and educational facilities, transportation and a host of other age and fashion related consumption needs.

There are certain physiological differences between men and women which result in their having different consumption needs. Women need specialised medical facilities for pregnancy and delivery. Their requirement of clothes and cosmetics is different from that of men. Each gender thus has its own need for specific products and services.

Consumption behaviour is also influenced by the specific stage of the family life cycle. Table 1 list nine stages in the family cycle and the predominant buying pattern associated with each. This family life cycle may be applicable in India only in the urban upper middle classes.

Table 1

Traditional Family Life Cycle and Buying Pattern

Table 1
Traditional Family Life-Cycle and Buying Pattern

Stage in Family Life-Cycle	*Buying or Behaviour Pattern*
Single Stage Young, unmarried people living away from home	– Few financial burdens. Spend on rent, food, very basic kitchen equipment and furniture, recreation and leisure time accessories such as stereo systems.
Young Newly married: No children	– Better off financially than they will be in near future, wife is usually working, Highest purchase rate. Spend on furniture, durables such as refrigerators, gas stoves, vacations etc.
Full Nest I: Youngest Child under 6	– Spend maximum on home purchases. Interested in new products and influenced by advertising. Buy TV, baby foods, cough medications, toys such as tricycle.
Full Nest II: Youngest Child over 6	– Some wives return to work. Better financial position, less influenced by advertising. Buy large sized packages, various kinds of foods, bicycles, education, house purchasing.
Full Nest III: Old married couples with dependant children	– Financial position still better. Spend on education, more tasteful furniture, cars, non-necessary appliances etc.
Empty Nest I: Older married couples, no children living at home, household head still working.	– Spend on travel, recreation, self-improvement, home-improvement, health care.
Empty Nest II: Older married, no children at home, head retired	– Drastic reduction in income. Buy medical appliances and medi-care products which aid good health.
Solitary Survivors In Labour force	– Likely to sell home, but income still good.
Solitary Survivor: Retired	– Reduced income, spend on medical products

Source: Adapted from William D. Wells and George Gubar, "Life-Cycle Concept in Marketing Research," **Journal of Marketing Research**, November 1966.

Education and Occupation

Education widens a person's horizons, refines his tastes and makes his outlook more cosmopolitan. An educated person, as compared to somebody less educated, is more likely to consume educational facilities, books, - magazines and other knowledge oriented products and services. For instance, in India, we find that educated families are more inclined towards adopting family planning than families which have no educational background.

The occupation also shapes the consumption needs. People following specialised occupations such as photography, music, dance, carpentry, etc. need special tools and equipment. But,

apart from this specific need, the status and role of a person within an organisation affects his consumption behaviour. Chief executives would buy three-piece suits of the best fabric, handmade leather briefcase and use services of airlines and five star hotels. A junior manager or blue collar worker in the same organisation may also buy a three-piece suit but he compromises on quality.

Income

The income which a person earns is an extremely important influence on his consumption behaviour. He may aspire to buy certain goods and services but his income may become a constraint. Income in this context really refers to the income available for spending (i.e. income after tax, provident fund and other statutory deductions). The person's attitude towards spending versus saving and his borrowing power are also important influencing factors. Small size packaging in sachets for products such as tea, shampoo, toothpaste are meant for the lower income customers who cannot afford a onetime large outlay of money on such products.

Products which are considered luxuries are more income sensitive than products which fall in the category of necessities. If you are marketing a luxury product you must keep a close watch on income and saving trends to avoid decrease in sales resulting from recession. To avoid sales decline you may need to re-position the product, change the marketing mix or both.

Personality

Personality is sum total of an individual's psychological traits, characteristics, motives, habits, attitudes, beliefs and outlooks. Personality is the very essence of individual differences. In consumer behaviour, personality is defined as those inner psychological characteristics that both determine and reflect how a person responds to his environmental stimuli. Personality is enduring and ensures that a person's responses are consistent over time.

There has been a great deal of research into the concept of personality with the objective of predicting consumer behaviour, in terms of product and brand choice. The assumption in all personality related research has been that different types of personalities can be classified and each type responds differently to the same stimuli, and personality can be used to identify and predict that response. In case of products such as cigarettes, beer and cars, personality has been used to segment the market. The runaway success of ‘Charms’ cigarettes in the eighties used a urban young, modern, carefree personality for appealing to the potential market segment of students and other young people. In contrast, surf detergent powder is promoted with the help of ‘Lalitaji’- a middle class traditional, forthright and objective housewife. These are just the right personality variables that would appeal to a potential customer of surf. Personality research to predict consumer behaviour has either focused on total personality profile or a specific trait or attempted to find a correlation with product brand choice. But both these approaches assume that individuals with a given personality profile or trait are homogeneous in all other respects such as age, income, education, occupation etc. We have seen how all these factors strongly influence a consumer's decisions. A much broader, more

comprehensive approach for characterising behavioural patterns is needed and this is provided by the concept of life-style.

Life-Style

Life-styles are defined as patterns in which people live, as expressed by the manner in which they spend money and time on various activities and interests. Life-style is a function of our motivations, learning, attitudes, beliefs and opinion, social class, demographic factors, personality etc. While reading this unit, you are playing the role of a student. But at the same time you also have your career, family and social roles to play. The manner in which you blend these different roles reflects your life-style.

Life-style is measured by a technique known as psychographics. It involves measuring consumers' responses to Activities, Interests and Opinions (AIO), along with collecting information on demographic factors as shown in Table 2. Different individual's responses are collected and analysed to find distinctive life-style groups. Based on the AIO technique, different life-styles have been identified and described. The different life-styles are then used for market segmentation, product positioning and for developing promotion campaigns, including new products.

To get a good idea of marketing based on life-styles, you only need to look at the promotional strategies of Garden Vareli, Raymonds and Vimal Textiles.

Life-Style Dimension

Table 2

Activities	*Interests*	*Opinions*	*Demographic*
Work	Family	Themselves	Age
Hobbies	Home	Social issues	Education
Social	Job	Politics	Income
Vacation	Community	Business	Occupation
Entertainment	Recreation	Economics	Family size
Club Membership	Fashion	Education	Dwelling
Community	Food	Products	Geography
Shopping	Media	Future	City size
Sports	Achievements	Culture	Stage in life cycle

Activity 5

What major differences do you observe amongst the users of Surf and Nirma in terms of various life-style dimensions?

Life-style Dimensions Surf Vs. Nirma

1. Activities

.....

.....

2. Interests

.....

.....

3. Opinions

.....

.....

4. Demographics

.....

.....

4.9 SOCIAL FACTORS

Reference Groups

As a consumer, your decision to purchase and use certain products and services, is influenced not only by psychological factors, your personality and life-style, but also by the people around you with whom you interact and the various social groups to which you belong. The groups with whom you interact directly or indirectly influence your purchase decisions and thus their study is of great importance to marketers.

A group is defined as two or more people who interact to achieve individual or common goals. The three categories of groups which are important for the marketer to understand are:

i) **Primary and secondary groups:** A primary group is one with which an individual interacts on a regular basis and whose opinion is of importance to him. Family, neighbours, close friends, colleagues and co-workers are examples of primary groups. Secondary groups are those with which an individual interacts only occasionally and does not consider their opinion very important.

ii) **Formal and informal groups:** Members of clubs are some of the well known social groups in our society. Labour unions, social clubs and societies are other types of formal groups to which individuals may belong. A formal group has a highly defined structure, specific roles and authority positions and specific goals.

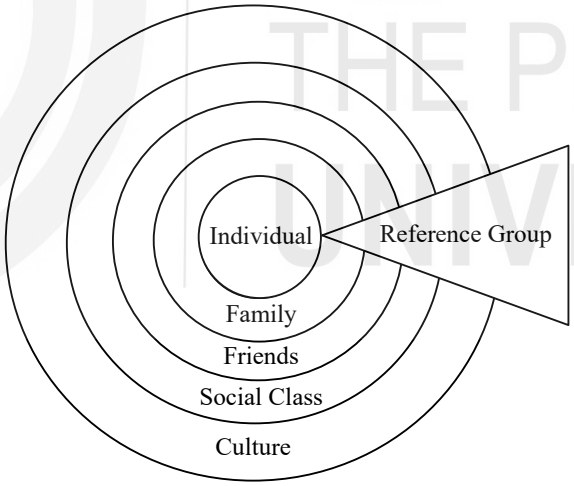
iii) In contrast, an informal group is loosely defined and may have no specified roles and goals. Meeting your neighbours over lunch once a month for friendly exchange of news is an instance of an informal group.

iv) **Membership and symbolic groups:** A membership group is one to which a person belongs or qualifies for membership. All workers in a factory qualify for membership to the labour union. A symbolic group is one which an individual aspires to belong to, but is not likely to be received as a member. A clerk in an office may act as if he belongs to the top management group by adopting their attitudes, values and modes of dress. Both membership and symbolic groups influence consumer behaviour but membership groups have a more direct influence. Primary, informal and small groups exert the maximum influence on consumers and are of great interest for marketers.

Any of these groups can serve as a reference group for a consumer if it serves as a point of reference or comparison in the formation of the values, attitudes and behaviour. Different kinds of groups, whether small or large, formal or informal or symbolic qualify as a reference group (Figure IV). The concept of reference group is a very wide one and includes both direct and indirect individual and group influences.

Figure IV

Major Reference Groups



Indirect reference groups comprise those individuals or groups with whom an individual does not have any direct face-to-face contact, such as film stars, TV stars, sportsmen, politicians.

Reference groups are used in advertising to appeal to different market segments. Group situation with which potential customers can identify are used to promote products and services. Hidden in this appeal is the subtle inducement to the customer to identify himself

with the user of the product in question. The three types of reference group appeals most commonly used are:

a) celebrities,
b) experts, and
c) the ‘common man’

Celebrities are well known people (in their specific field of activity) who are admired and their fans aspire to emulate their behaviour. Film stars and sports heroes are the most popular celebrities. Soft drinks (Thums Up), shaving cream (Gillette), toilet soaps (Lux), textiles (Raymond,) are advertised using celebrities from the sports and film fields. Experts such as doctors, lawyers, accountants and authors are used for establishing the benefits of the product. Colgate and Sensodyne toothpastes are examples of products which use the expert reference group appeal for promotion.

Another reference group appeal is that which uses the testimonials of a satisfied customer. It demonstrates to the prospective customer that someone just like him uses and is satisfied with the product. Hindustan Unilever Ltd. for Surf has used this appeal very effectively, using a stereo type upper middle class housewife known as `Lalitaji'.

Direct reference groups which exert a significant influence on consumer's purchase decisions and behaviour can be classified into six categories. These are:

i) the family,
ii) friendship groups,
iii) formal social groups,
iv) formal shopping groups,
v) consumer action groups, and
vi) work groups.

Family

The family is the most important of all these groups and we shall discuss it in detail. The family as a unit is an important consumer for many products which are purchased for consumption by all family members. It is a source of major influence on the individual members' buying behaviour. We can identify two families which shape an individual's consumption behaviour. One is the family of orientation that is the family in, which you are born and consists of your parents, brothers and sisters. 'It is from parents that we' imbibe most of our values, attitudes, beliefs and purchase behaviour patterns. Long after an individual has ceased to live with his parents, their influence on the sub-conscious mind still continues to be great. In our country, where children continue to live with their parents even after attaining adulthood, the latter’s influence is extremely important.

The second type of family is the family of procreation consisting of the consumer's spouse and children. Within the family, different members play different roles. Marketers are interested in finding out exactly the role played by individual members so that they can appropriately design their promotion strategy to suit these differing roles. Traditionally, it has been the wife's role to purchase food, clothing and other household sundries, while the

husband played a dominant role in the purchase of automobiles and life insurance. But with the emergence of the working woman, these lines of traditional role demarcation have been getting increasingly blurred. Husbands now have to shoulder a greater part of the household duties while women are asserting themselves in areas so far treated as the husband's domain. Thus, the same decision, in different families may be made either by the husband or wife, or both may have an equal voice. Children are also beginning to exert their influence on the family's purchase decisions. This is especially true in case of products such' as television, music systems, personal computers, white goods etc. where the children are likely to have more updated information about various brands and product attributes. Commenting on the consumer behaviour trends in the hi-fi stereo music today, Vice-president of Peico Electronic (Consumer electronics division) said, "It is teenagers who select sets, and their papas just-buy them" (as reported in 'India Today' July 31, 1987) well it's still not changed to a large extent even in 2021.

Roles

An individual may participate in many groups. His position within each group can be defined in terms of the activities he is expected to perform. You are probably a manager, and when in your work situation you play that role. However, at home you play the role of spouse and parent. Thus in different social positions you play different roles. Each of these roles influences your purchase decisions.

As a manager, you would like to buy clothes which reflect your status within the organisation, such as safari suit, three-piece suit, tie, leather shoes etc. But at home where you are in a relaxed and informal situation you would prefer clothes which are comfortable rather than formal and you may wear shirts, jeans, kurta pajama, dhoti or lungi or bermuda shorts etc.

Status

Each role that a person plays has status, which is the relative prestige accorded by society. Status is often measured by the degree of influence an individual exerts on the behaviour and, attitude of others.

People buy and use products which reflect their status. The managing director of a company may drive a Mercedes to portray his status in society. He may go to Europe or U.S.A. for a holiday, rather than going to Mussoorie or Ooty.

Group norms

The norms of a group are the implicit rules of conduct and behaviour that are expected of its member. For instance, in certain multi-national companies in India, the norm for office wear includes a full-sleeved shirt and tie, notwithstanding the terrible heat conditions. If marketers can identify the various groups to which potential consumers belong, they can successfully market those products and services whose consumption is dictated by the group norms.

Conformity

Conformity implies that members of a group have adopted attitudes and behaviour patterns that are consistent with the group's norms. In the context of consumer behaviour it refers to the percentage of members who knowingly use the same brand or product.

Opinion Leaders

Apart from the family, a consumer is influenced by the advice he receives from his friends, neighbours, relatives and colleagues about what products and services he should buy. This process of influencing is known as the opinion leadership process and is described as the process by which one person (the opinion leader) informally influences the actions or attitudes of others (opinion receivers). The influence is informal and the setting in which the influencing process takes place has nothing to do with the actual buying or selling of the product in question. For instance, during lunch hour you may casually ask your colleague to recommend a good television mechanic. Or you discuss with your relatives and neighbours what brand of washing machine they possess and try to ascertain which the brand is recommended by most, before purchasing a washing machine for your own home. Further, the process often occurs between two persons rather than in a large group setting. Thus, the opinion leadership process can also be thought of as the 'word-of-mouth' communication.

The advice of opinion leaders is sought in case of specific products. People who have acquired considerable knowledge and experience in a particular field are thought of as opinion leaders in that area.

Both opinion leaders and followers receive information on all kinds of products and services from the mass media. But the opinion receivers are more influenced by the opinion leaders rather than the media. In the eyes of the opinion receiver, the opinion leader has more credibility than the mass media. The opinion leaders become a sort of ‘middleman’ receiving information from mass media and passing it on to opinion receivers.

Advertisers and marketers are concerned with reaching the opinion leaders and ensuring that they receive the intended information which they can, in turn, pass on to opinion receivers. Thus the first task of the marketer is to identify the opinion leaders. In a particular society, persons who are members or participants in a number of social organisations and have a high social activity participation are likely candidates for opinion leaders. Having identified the opinion leaders, the next task is to reach them through the media which they patronise. Direct mail pieces, magazines and journals-of clubs and social organisations and special interest magazines (for speciality products) are some of the appropriate channels for this purpose.

Diffusion of Innovation

Opinion leaders are usually innovators. They are always trying out new products and brands, and recommending them to the opinion receivers. The acceptance of new products, brands, and ideas is known as the diffusion of innovation. In a narrow sense, innovation is defined as something new or modified which has a relative advantage over the existing products. Marketers are concerned with the spread or diffusion of this innovation which is a two-step process. The first step is the spread of awareness of an innovation from its source to the

consumers. The second step is the individual consumer decision-making process which leads up to the acceptance or rejection of the innovation.

Activity 6

i) Name some of the potential candidates to be considered as celebrities for promoting the following products/services and concepts:

a) tractor brand
b) Fertilizer subsidy
c) family planning concept
d) Winter lotion
e) Landline phone connection
f) Jewellery
g) Smart TV
h) Infant milk powder
i) Cookery magazine
j) Beauty parlour
k) Cab Service
l) Rural Banking
m) Premium Housing
n) Diagnostic Centre
o) Motorcycle Company

ii) What are your reasons for selecting these celebrities?

_____
_____
_____
_____
_____
_____
_____

4.10 CULTURAL FACTORS

Culture

Culture is an extremely critical and all pervasive influence in our life. "It is a mould in which we are all cast, and it controls our daily lives in many unsuspected ways" (Edward T. Hall-The Silent Language): The study of culture encompasses all aspects of a society such as its religion, knowledge, language, laws, customs, traditions, music, art, technology, work patterns, products, etc. All these factors make up the unique, distinctive 'personality' of each society. For our purpose of studying consumer behaviour, culture can he defined as the sum

total of learned beliefs, values and customs which serve to guide and direct the consumer behaviour of all members of that society. Culture is learned through the following three ways:

a) formal learning in which parents and elders teach children the proper way to behave; for instance a child may be taught that too many toffees and chocolates are bad for his teeth. This learning may influence his response, both as a child and adult, towards these products.

b) informal learning in which we learn by imitating the behaviour of our parents, friends, or by watching TV and film actors in action;

c) technical learning in which instructions are given about the specific method by which certain things have to be done such as painting, dancing, singing, etc.

Though a marketer can influence all the three types of learning through his company's advertising strategy, it is informal learning which is most amenable to such influences. Children learn much more about products and services through advertisements in mass media (especially TV) than they do either from their parents or teachers. Brand loyalties and images developed in the early, formative years of childhood tend to be deep-rooted and affect the child's consumer behaviour even in later years of adulthood. Marketers' interest lies in identifying the potential consumer segments and 'catching them young'.

The kinds of products and advertising appeals that can work effectively in a society depend largely on its cultural background. In the Western Society, individualism, freedom,- achievement, success, material comfort, efficiency and practicality are values which are followed and imbibed by the younger children. Products and services which fulfil these values are most successfully marketed in America. In the Indian society, on the contrary, conformity, spiritualism, respect for the elderly, traditionalism and education are some of the dominant cultural values. However, our society is undergoing a cultural metamorphosis and you can discern some major cultural shifts which have far reaching consequences for the introduction of a vast variety of new products and services. Some of these changes are as follows:

i) **Convenience:** With more women joining the work-force there is an increasing demand for products that help lighten and relieve the daily household chores, and make life more convenient. This is reflected in the soaring sale of gas stoves, food processors , "washing machines, vacuum cleaners, ready to eat/cook packets of dehydrated frozen/precooked foods, fast food outlets and many more.

Fifteen years ago when Hindustan Unilever first introduced the concept of dehydrated vegetables and marketed Hima peas, the concept did not succeed. The cultural value was of eating fresh and freshly cooked food. But today that cultural value does not have a strong hold, and frozen foods which can't be kept up to 6-7 months are being successfully marketed.

ii) Education: People in our society today wish to acquire relevant education and skills that would help improve their career prospects. This is evident from the fact that so many professional, career-oriented educational institutes in technology and

management education are coming up, and still they cannot seem to meet the demand. The establishment of IGNOU is also a result of cultural trend.

iii) **Physical Appearance:** Physical fitness, good health, and smart appearance are on premium today. Slimming centres, beauty parlours, yoga centres are mushrooming in all major cities of the country. Wellness and grooming products and services both for women and men have sprung up in every nook and corner of major cities and towns. Exclusive shops retailing designer clothes at fancy prices are doing brisk business.

iv) **Materialism:** There is a definite shift in the people's cultural value from spiritualism towards materialism. People are spending more money than ever before on acquiring products such as air-conditioners, cars, motor cycle, home screen theatre etc. which add to both physical comfort as well as status. A company which wants to grow must keep a tab on such major cultural trends to ensure that its products fit in well with these new trends.

Sub-culture

Within the large framework of a society there exist many sub-cultures. A sub-culture is an identifiable distinct, cultural group, which, while following the dominant cultural values of the overall society also has its own beliefs, values, customs and rituals that set them apart from other members of the same society. Table 3 lists the various sub cultural categories that can be identified in any society.

Table 3

Sub Cultural Categories

Table 3
Sub-Cultural Categories

Sub-cultural category	Illustrative sub-culture
Nationality	Indian, Sri Lankan, Pakistani
Religion	Hinduism, Sikhism, Islam, Christianity
Race	Black, White, Asian
Age	Young, Middle aged, Elderly
Sex	Male, Female
Occupation	Farmer, Teacher, Business
Social Class	Upper, Middle, Lower
Geographic location	South India, North India, Western India, Eastern India.

These sub-cultures offer readymade market segments to the marketer who can position his product to meet the specific needs, motivation, perception and attitudes of each sub-culture. However, the marketer may need to modify both his product and advertising appeal to suit their specialised needs.

Every member of a society is a member of several sub-groups, (such as an elderly, Keralite, Christian, Woman, teacher) and the consumer's purchase decision is a result of the influence of these various sub-groups. The marketer must understand how the specific sub-cultural groups interact with each other and exert their influence on the member's consumption behaviour.

Social Class

In every society there is inequality in social status amongst different people and the people are categorised into different social classes. Social classes can be defined as relatively permanent and homogeneous divisions in a society in which individuals or families sharing similar values, life-styles, interests and behaviour can be categorised. Social class is a concept based on distribution of status and the categories are usually ranked in a hierarchical order ranging from low status to high status. People belonging to a particular class tend to restrict their interaction to people belonging to the same class; unless it is for a very specialised purpose. Within a social class there are shared values, attitudes and behavioural patterns of consumption of certain products and services. But if we compare different social classes, we would find differences in values, attitudes and behaviour between each class, as also a pattern of consumption behaviour unique to each class.

Social class is an ideal basis for segmenting the market, as different social classes exhibit distinct product and brand preferences. Within the same social class, there is sharing of information on different products and brands, while between the different social classes there is little communication. Different social classes have different media exposure and habits. Let us take the instance of English women's magazines: If we study the profile of Femina, Savvy, and Woman's Era, we would immediately realise the different class of readers each magazine is catering to. Social classes, thus, are market segments which are easily identified and also easy to reach.

Social class is a complex variable which is determined by a person’s income, occupation, education; personal performance and possession of different types of products.

Social classes can be categorised on the basis of a number of different bases such as blue collar workers and white collar workers, educated and uneducated and so on. The most commonly accepted and used categories of social classes are shown in Table 4 along with their dominant distinguishing characteristics and the stereo type products and services consumed by them.

Table 4

Table 4

Major social classes and their dominant characteristics and buying behaviour patterns

Social class	Distinguishing characteristics	Dominant consumption patterns
Upper Upper	Elite of society; aristocrats or top industrialists, inherited wealth; wellknown family background; spend money lavishly but in discreet, conservative taste.	Spend on property, homes, best education for children, frequent foreign vacations, antiques, jewellery, custom made cars etc.
Lower Upper	Top professionals or businessman, who have earned rather than inherited money; style and taste is conspicuous and flamboyant, they seek possessions which will reflect their status.	Spend on large homes with flashy and expensive decor, best education for children, imported cars and latest household gadgets, 5-star hotels, personal computers etc.
Upper Middle	Professional 'careerists', coming from the middle class with basically middle class values of respectable living. conformity; emphasis on good education; Style is gracious and careful.	Spend on buying 'quality' products; irrespective of the category of product it is quality which is the most important feature. Colour TV, video cassette recorder, Maruti cars are some of the products associated with this class.
Lower Middle	White collar workers such as office workers, small businessmen and traders; value neatness and cleanliness and want their home and possessions to reflect this.	Spends a great deal of time shopping around for the best bargain; they buy refrigerator, black & white TV., scooter, motorcycle etc.
Upper Lower	Poorly educated, semi-skilled factory workers; they comprise the largest social class segment. Their major motivation is security, purchase decision often impulsive but exhibits a high degree of brand loyalty.	Black and white TV, gas stove, ceiling or table fan are bought but largely on hire purchase basis, if available.
Lower Lower	Often uneducated, at the bottom of the society and working as unskilled labour live from day to day basis with little planning for the future.	Buy only the basic necessities of life, usually buy loose and unbranded products. Have no comprehension and value of brands.

4.11 WHAT IS A DECISION?

In the earlier sections we have discussed the concept of consumer behaviour its importance to marketers and the simple model of consumer behaviour. Eventually the factors influencing consumer behaviour have been dealt very exhaustively for better understanding and their role in the decision makes process.

A decision is the selection of an alternative out of the several numbers of alternatives available. It is only when theme are two or more alternatives available that there is the need to make a choice. In the field of consumer behaviour, we are only concerned with situation in which the consumer has to take a purchase decision where there is a choice available.

4.12 LEVELS OF CONSUMER DECISIONS

As a buyer or consumer you are all the time making decisions such as what product to buy (a book or a shirt as a birthday present for your friend), Which brand of soap from where to buy etc. Table 1 presents a summary of the different levels of purchase related decisions most commonly encountered by consumers. The table highlights the broad range of choices the consumers have to select from when making a decision, starting from the generic product category level to the brand level and retail outlet level.

Table-1

Table 1

Levels of Purchase related Consumer Decisions for personal transport

Level of Decision	Alternative	
Generic Product Category Level	Two Wheel or Four Wheel vehicle Power Driven	
	i) Scooter ii) Motorcycle iii) Moped	i) Car ii) Jeep
Brand Level	Scooter i) Bajaj ii) Hero Honda iii) Kinetic Motorcycle i) Rajdoot ii) Yamaha iii) Ind-Suzuki iv) Hero Honda Moped i) Luna ii) Kinetic iii) Rajdoot	Car i) Ambassador ii) Santro iii) Scorpio iv) Maruti Car v) Maruti Van Jeep i) Maruti Gypsy ii) Mahindra
Retail Level	Type of retail outlet i) Company showroom ii) Exclusive brand dealer outlet iii) Multi-brand dealer outlet iv) Dealer outlet with own servicing facility v) Dealer outlet closest to home vi) Dealer outlet recommended by friend.	

4.13 PROCESS OF DECISION-MAKING

The most basic and important requirement for the marketer is to understand how consumers make choices. Ajzen and Fishbein have attempted to explain human choice behaviour in their theory of reasoned action which states that:

"Generally speaking-human beings are usually quite rational and make systematic use of information available to them. People consider the implications of their actions before they decide to engage or not to engage in a given behaviour."

Thus, making a decision is a rational and conscious process in which the consumer evaluates each of the available alternatives to select the best amongst them. Each decision you make involves an elaborate mental thought process, a degree of active reasoning, though on the surface it may not always seem to be so. This may be because over a period of time you have

taken certain decisions so many times that they now seem to be made almost automatically but that is not true at all. Even your daily decision of buying a loaf of bread involves the element of active reasoning as buying a new sofa set for your drawing room. However, in the former case, the extent and intensity of active reasoning may be much less as compared to the latter case.

In the case of bread, the only decision variables may be which brand, quantity and retail outlet. But in case of buying a sofa set the decision variables are far more in number. These may be:

ready-made or made to order
from a furniture shop or to be built at home
type of material for frame: Wood, Steel, Aluminium
type of material for cushion: cloth, rexine, leather
design: with or without arm-rests, height, depth of seat, seating capacity, loose or fixed cushion.

Thus, depending on the type of decision being made, the degree and strength of active reasoning will vary.

There are three factors which influence the degree of active reasoning that is undertaken by the consumer in his process of decision-making. These are:

- involvement,
- alternative differentiation, and
- time pressure
-

Involvement: When a product is perceived to be of great personal importance to the customer, such as personal clothing, or its purchase involves a great deal of money or risk such as jewellery, car, house, company shares, the level of involvement in making the decision is likely to be very high. The consumer is likely to spend a great deal of time before arriving at the final decision. In contrast, when buying items which do not reflect much on the consumer's personality or their purchase involves small amounts of money .or the risk associated with them is not high, the degree of involvement of the consumer is likely to be low. Products such as shoes, polish, toilet soap, toothpaste, biscuits etc. would fall in this category.

Differentiation: When the consumer perceives that the various alternatives which are available are very different from one another in terms of their features and benefits offered, he is likely to spend more time in gathering information about and evaluating these different features. On the other hand, in case of products which are not very different from one another either in terms of their features or benefits offered, the consumer is bound to perceive them as being almost the same and buy the first available product/brand which satisfies his minimum expectation. He will not like to spend much time in evaluating the various alternatives. The various brands of washing powder available in the market today are an excellent example of low level of differentiation with the consumer perceiving the different brands to be offering

almost identical benefits. All the brands, such as Nirma, Vimal, Vijay, etc. look similar with identical packing and carry almost the same price tag.

Till a few years ago, the motor cycle market in, India was highly undifferentiated with Jawa and Rajdoot offering almost identical motor cycles to the consumers in terms of basic features. But today the same market is highly differentiated. The consumers have a wide range of brands to choose from such as Hero, TVS, Yamaha, and Bajaj etc. each offering a variety of shapes, horse power and many other innovative features to choose from. A potential consumer of motor cycle would have to spend considerable time in evaluating each brand before he is in a position to make his decision.

Time Pressure: When you are under pressure to make a decision quickly, you cannot afford to spend a long time finding out about the various products or brands. You would probably buy whatever is readily available. While travelling in your car to a hill station your car tyre bursts and you need to buy a new one. At that time you would buy the brand that is available at whatever price without giving it too much thought. But under a different situation, when you need to buy new tyres, you would certainly like to find the features of nylon, radial and tubeless tyres and evaluate various brands e.g. MRF, Dunlop, Ceat and Apollo etc. on their individual advantages and disadvantages.

Activity 7

a) For each of the products/services written below, identify whether the purchase decision involves a high or low degree of involvement under normal circumstances:

i) Car Tyre
ii) Wooden Almirah
iii) Buying Platform Ticket
iv) Electric Bike
v) Suiting Material
vi) A pair of Glasses
vii) Dairy Products
viii) Buying Groceries
ix) Booking a Cab
x) Voltage stabiliser.

b) In respect of the above products, record which differentiated alternatives (brands) are available in the market.

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4.14 TYPES OF PURCHASE DECISION BEHAVIOUR

Consumer buying behaviour varies with the type of buying decision. Earlier, we stated that while a decision for buying bread was almost made automatically, the decision for buying a sofa set was more deliberate and time consuming. Similarly, there is a great deal of difference in buying a tube of toothpaste, clothes for yourself and a refrigerator for your home. We shall now distinguish three types of buying behaviour:

i) Routinised response behaviour,
ii) Limited problem solving, and
iii) Extended problem solving.

i) **Routinised response behaviour (RRB):** This occurs when the consumer already has some experience of buying and using the product. He is familiar with the various brands available and the attributes of each and has well established criteria for selecting his own brand. Consumers do not give much thought or time when buying such products and already have a preferred brand. The degree of involvement in buying such products is low. Frequently purchased and low cost products such as razor blades, coffee powder, toothpaste, soap, soft drinks, etc. fall in this category.

   Marketers dealing in products involving routinised response behaviour must ensure the satisfaction of existing customers by maintaining consistent quality, service and value. Also, they must attempt to attract new customers by introducing novel features, using point-of-purchase promotional material and special displays.

ii) **Limited Problem Solving (LPS):** In this type of buying behaviour, the consumer is familiar with the product and the various brands available, but has no established brand preference. The consumer would like to gather additional information about the brands to arrive at his brand decision. For instance a housewife buys refined vegetable oil for her cooking. She is familiar with the concept of vegetable oil (as opposed to say vanaspati and ghee) and also knows that Sundrop, and Fortune are some of the prominent brands available. But to establish her choice of brand, she would like to check with her friends and regular shopkeeper about the attributes of each.

   Limited problem solving also takes place when a consumer encounters an unfamiliar (or new) brand in a known product category. The housewife, who buys refined vegetable oil, on her next visit to the market, sees a new brand of oil, Saffola. Apart from being a new brand, this brand of oil also claims the unique attribute of being low in cholesterol. To arrive at a decision, whether or not to buy this brand, the housewife needs to gather information about the new brand which will allow her to compare it with the known brands.

   The marketer's task in a situation where he is introducing a new brand in a well known product category is to design a communication strategy that gives complete information

on all the attributes of the brand, thus increasing the consumer's confidence and facilitating his or her purchase decision.

iii) **Extensive Problem Solving (EPS):** Extensive problem solving occurs when the consumer is encountering a new product category. He needs information on both the product category as well as the various brands available in it. This kind of decision is by far the most complex.

For instance, you are thinking of buying a Flat colour television to replace your existing CRT colour TV set. You do not have much idea about how to judge the quality of a, colour TV set. You have heard about the various brands, such as Videocon, BPL, Samsung, LG, Sony, Thomson etc. but you do not know what their respective quality ranking is in colour TV. Each brand makes claims of foreign technology, latest features such as flat square tube and channel display. Further, there is a range of models to choose from within each brand, models with remote control, different cabinet colour finish, vertical monitor styling etc. To arrive at a decision, you have to gather information at three levels and also establish criteria for evaluating this information. The three levels of information gathering and evaluation are at generic product level, brand level and model level within each brand.

The marketing strategy for such buying behaviour must be such that it facilitates the consumer's information gathering and learning process about the product category and his own brand. The marketer must be able to provide his consumer with a very specific and unique set of positive attributes regarding his own brand, so that the purchase decision is made in his favour.

The concept of EPS is most applicable to new products. The product may be new at the generic product concept level (such as Maggi noodles) or it may be an established product concept but new for a particular consumer. In case of a new product concept such as ready to cook instant snack, the entire consumer universe is unfamiliar with the product. The marketer has to spend large amounts of money in educating the consumers about his product. The consumers in turn need a great deal of information before they can take a decision; and the decision process takes a long time. On the other hand, you may have the situation where the product concept is well understood by a majority of the consumers, but it is being bought or used by a particular consumer for the first time. To take a very simple example, a tribal who is exposed to the concept of toothpaste for the first time in his life will seek a lot of information and take a long time to decide. For him, buying toothpaste is a EPS behaviour, whereas for most of us it simply requires a routinised response behaviour.

4.15 STAGES IN CONSUMER BUYING PROCESS

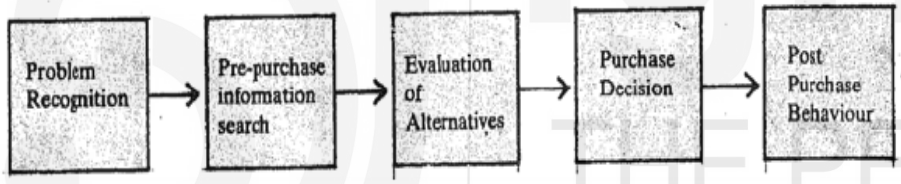
Even buying decision involves an element of active reasoning. The manner in which this active reasoning manifests itself is illustrated in Figure I. In making a buying decision the consumer goes through the five stages of:

i) problem recognition,
ii) pre-purchase information search,
iii) evaluation of alternatives,
iv) purchase decision, and
v) post purchase behaviour.

However, in case of routine purchases, the consumer may skip the second and third stages and straight away go to the stage of purchase decision. But in case of purchase decision involving extensive problem solving, the consumer is likely to go through all the five stages in the specified sequence.

The important point to note is that the buying process starts much before the actual purchase and has implications even after the purchase has been made. This should give ideas to the marketer as to how he has to start designing his marketing strategy in order to achieve his specified marketing objectives.

Figure I: Stages in the Buyer Decision Process



Let us understand the stages in decision-making process with the help of a Mr. Rao's specific decision to purchase a briefcase.

i) **Problem Recognition:** The buying process starts with the buyer recognising a need or problem. Lets come back to Mr. Rao he feels very uncomfortable carrying his papers, files and lunch packet in his hand or in a plastic bag to his work place. Sometimes, the papers and even files from his hand and get spoiled Mr. Rao feels the need for a suitable holder to carry papers to and fro from his office and has identified a briefcase as the solution to his problem.

ii) **Pre-Purchase Information Search:** In response to the stimuli provided by the need for a briefcase, Mr. Rao starts searching for information on the kinds of briefcases available in the market. Search can be of two types: internal and external. **Internal search** refers to recalling relevant information stored in the memory. For instance, Mr. Rao may recall having seen the different kinds of briefcases used by his colleagues. Or he may recall having seen some advertisements for briefcases on the television or in some magazines and newspapers. **External search** refers to the deliberate and voluntary seeking of new

information regarding the product/brand under consideration. Mr. Rao can seek information from the following three sources:

Personal sources: family, friends, colleagues, neighbours.
Commercial sources: advertisements, retailers, salesmen.
Public sources: seeing others, consumer information centres.

By tapping all these sources of information, Mr. Rao is able to identify the different types of briefcase on the basis of material, branded versus unbranded, high-medium low priced. A wide variety of materials are used for making briefcases ranging from the best leather to rexine to plastic. There are branded briefcases available and Mr. Rao can choose from the well known VIP, Safari and Aristocrat and some less known local brands, or he can choose to buy an unbranded briefcase. The price range varies according to the size the material that has gone into its make of the briefcase etc. Also, there are a number of other features which can influence the choice, such as type of lock, and number of partitions and pockets for keeping different documents.

By the end of this stage, Mr. Rao has gathered enough information about different kinds of briefcases available and has narrowed down his alternatives to moulded plastic, branded briefcase. Within this broad range there are various brands and price ranges to make the final choice from.

Evaluation of Alternatives: Mr. Rao will make his final decision using certain evaluative criteria. The most commonly used criteria are: (i) product attribute, (ii) the relative importance of each attribute to the consumer, (iii) brand image, (iv) attitudes towards the different brands or alternatives under considerations. For instance, the product attributes of the (Plastic branded briefcase) alternatives identified by Mr. Rao are: unbreakable, lightweight, spaciousness, reliability of locking system, colour, and price. Mr. Rao attaches maximum importance to the product attributes of light weight and spaciousness as compared to other attributes. He already has some kind of attitude towards the various brands developed in the stage of information search which will affect his final decision.

This stage of the buying decision process gives the marketer a chance to modify his product offering in keeping with the relative importance attached to each attribute by various consumer segments, altering beliefs and attitudes about his own brand, and calling attention to neglected product attributes,

Purchase Decision: In the evaluation stage, Mr. Rao has ranked the various brands in terms of his first, second and third preference. In short, he has made up his mind about which brand he wants to buy. However, Mr. Rao may finally end up buying a brand which is not his most preferred. This may happen because attitudes of others and "situational factors.

For instance, when Mr. Rao goes to the shop to make his purchase, the shopkeeper's negative remarks about his (Mr. Rao's) most preferred brand may make him change his mind. Also, it is possible that Mr. Rao's preferred brand is not available, or there is a very attractive price discount on the brand ranked third by him which eventually makes him change his mind.

Post Purchase Behaviour: After purchasing the briefcase, if Mr. Rao finds that its performance or utility matches up to his expectation, Mr. Rao will feel satisfied with his purchase. The satisfaction will reinforce Mr. Rao's perceived favourable image of the brand, which is likely to be extended to the entire range of products manufactured by the Company. Also, Mr. Rao is likely to strongly recommend the brand when his friends ask his advice for buying a new briefcase. A satisfied customer is thus a very powerful source of influence for potential customers.

However, if Mr. Rao feels that the briefcase which he has purchased is not up to his expectation, then he is likely to feel dissatisfied. The gap between expected (or perceived) and the actual performances cause discomfort or dissonance to the buyer. As a result of this, Mr. Rao may decide to stop buying other products sold by the same company and also warn his friends about the poor utility of his briefcase. To reduce his own state of discomfort or dissonance arising from the feeling that he has not made the right choice, Mr. Rao can: (i) re-evaluate the unchosen brands and downgrade their desirability by identifying some negative features, and (ii) search for information to confirm his choice.

Activity 8

a) Consider the case of a consumer durable which you may have recently purchased. Try to recall the actual process you might have undergone in buying that. Write down the specific activities you undertook at each stage of the decision-making process.

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b) Do you find any differences in the approach described above and the approach that you may have followed? What could be the reasons for these differences?

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4.16 MODELS OF BUYER BEHAVIOUR

Consumer behaviour is a process and purchase is only one stage in that process. There are many underlying influences ranging from internal motivations and attitudes to social and external influences of many kinds. Having explained the consumer decision making process, now let us turn our attention to the process of consumer or buyer behaviour. We shall explain the process of buyer behavior with the help of three models. The first two models describe the decision process as applicable to individual consumer. The third model explains the decision-making process of a group, namely the family.

Howard-Sheth Model

This model explains the buyer decision process using four major sets of variables as presented in Figure II. The four sets of variables are: (i) inputs, (ii) perceptual and learning constructs, (iii) outputs and (iv) exogenous or external variables.

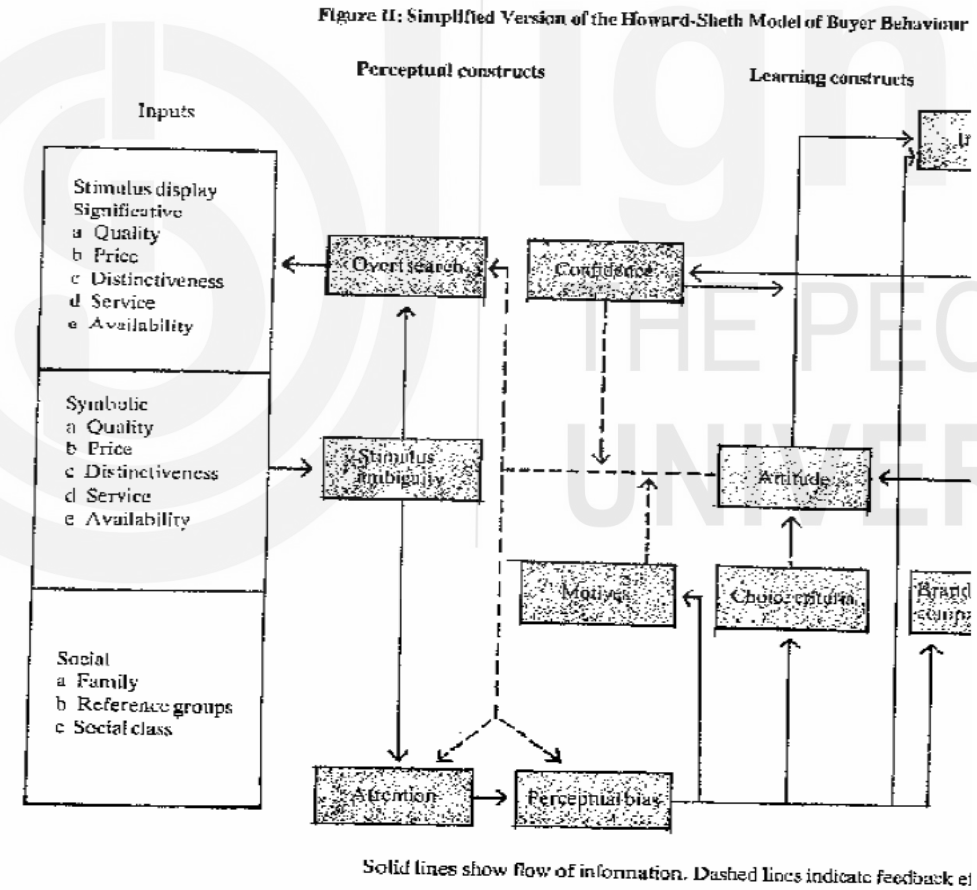


Figure II: Simplified Version of the Howard-Sheth Model of Buyer Behaviour

Solid lines show flow of information. Dashed lines indicate feedback el

Input: The input to the customer decision process is provided by three distinct types of stimuli. Of these two types of stimuli are provided by the marketer in the form of physical, tangible product characteristics known as significative stimuli, and intangible, perceptual product characteristics known as symbolic stimuli. To return to the example

of Mr. Rao, while the physical appearance, sturdiness, finish, and spaciousness would constitute the significative stimuli for quality, the overall quality that Mr. Rao perceives in his briefcase connotes the symbolic stimuli. The actual price paid for the briefcase is significative stimulus while the perception that the price is reasonable or too high or is a good bargain is the symbolic stimulus. The third type of stimuli is provided by the consumer's family, reference groups and social class to which he belongs.

Perceptual and learning constructs: These constructs are composed of psychological variables such as motives, attitudes, perceptions which influence the consumer's decision process.

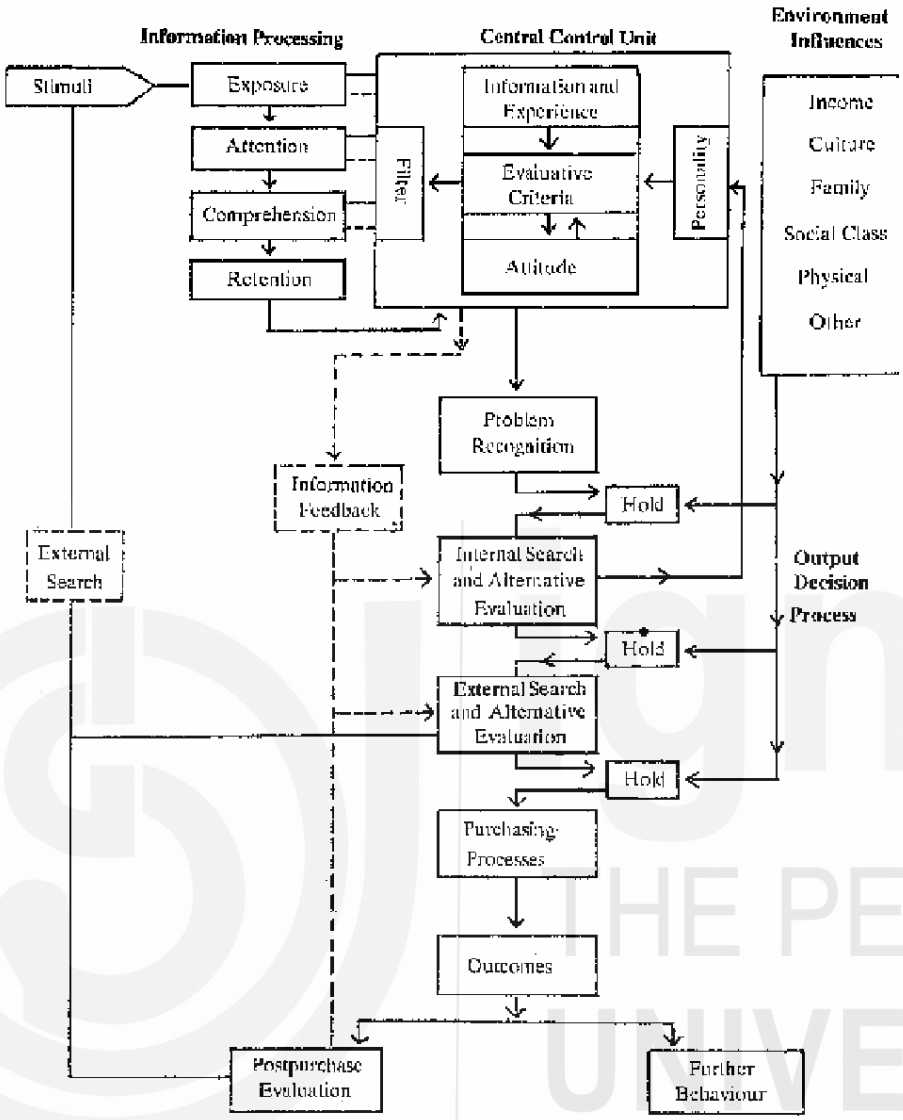
The consumer receives the stimuli and interprets it. The two factors that may influence his interpretation are stimulus ambiguity and perceptual bias. Stimulus ambiguity occurs when the consumer is not sure about the meaning of the stimulus that he has received and how it may influence his response. Perceptual bias occurs when the distorts the information he receives to fit his established needs or experiences.

The manner in which the consumer interprets the stimuli leads him to the stage of brand comprehension. This refers to the consumer's understanding and overall rating of the brand. If the consumer rates it high, it leads him to have confidence in it and eventually to the purchase decision.

Output: The purchase decision is the output. If after using the product, the consumer is satisfied with it, this will reinforce his positive attitude and purchase intent about the product and brand. Also, the positive attitude makes the consumer more attentive to the product/brand's stimuli and further increases his brand comprehension.

If the consumer is dissatisfied with experience of using the product/brand, it will trigger off a reaction of negative attitude, low attention to the product stimuli, poor brand comprehension and negative intention to purchase.

Figure III: Engel-Blackwell-Kollat model of Buyer Behaviour



Solid lines show flow of information. Dashed lines indicate feedback effect

Exogenous of External variable: These are not directly a part of the decision making process and are not shown in the model. But they are important to the extent that they influence the consumer. These exogenous variables vary from one consume to another and include: consumer personality traits, social class, importance of the purchase, financial status etc.

Engel-Kollat-Blackwell Model

The Engel-Kollat-Blackwell model consists of four components: (i) information processing, (ii) central control unit, (iii) decision process and (iv) environmental influences. (see Figure III)

i) **Information Processing:** This component comprises the consumer's selective exposure, attention, comprehension and retention of stimuli relating to a product or brand received from marketing and non-marketing sources. As a marketer, the first step is to ensure that a consumer is exposed to your message (stimuli), pays attention to it, understands what it is all about and also remembers it.

ii) **Central Control Unit:** The stimuli thus received and retained is processed in the central control unit. The stimuli is processed and interpreted with the help of four psychological filters:

a) stored information and past experience about the product/brand which serves as memory for comparing different alternatives;

b) evaluative criteria which the consumer uses in judging the interactions;

c) general and specific attitudes which influence-the purchase decision;

d) basic personality traits which influence how the consumer is likely to respond to various alternatives.

iii) **Decision Process:** The decision process component of the model consists of:

a) problem recognition

b) internal search and evaluation

c) external search and evaluation

d) purchase processes

e) decision outcomes.

If the purchase decision is such that it requires extensive problem solving, the consumer would go through all the above five stages. In case of limited problem solving or routinised response behaviour, some of the intervening stages may be skipped and the consumer may directly reach the purchase decision.

iv) **Environmental Influences:** The environmental factors that may influence the consumer's purchase decision are income, culture, family, social class and physical situations. Depending on the specific product under consideration, these factors may have a favourable or unfavourable influence on the purchase decision

Model of Family Decision-making

Before describing the model of family decision-making, it is important to understand how the various family members interact with each other in the context of their consumer decision-making. These interactions are determined by the different consumption related roles played by members in a family. These roles are:

i) **Influencers:** Those family members who provide information and advice and thus influence the purchase. The housewife tells her family about the new hair cutting saloon which has opened in the neighbourhood and her favourable description about it influences her husband and teenaged children to also patronise the saloon.

ii) **Gatekeepers:** Those family members who control the flow of information about a product/service thus influencing the decisions of other family members. The teenage son, who wants a racing bicycle, may withhold from his father much of the relevant information on all brands except the one that he fancies, thereby influencing his father's decision in favour of his preferred brand.

iii) **Deciders:** Family members who have the power to unilaterally or jointly decide whether or not to buy a product or service. The husband and wife may jointly decide about the purchase of a new refrigerator.

iv) **Buyers:** Those family members who actually buy a particular product or service. A housewife may be the person who actually buys all the foodstuffs, rations and toiletries which are consumed by all the family members.

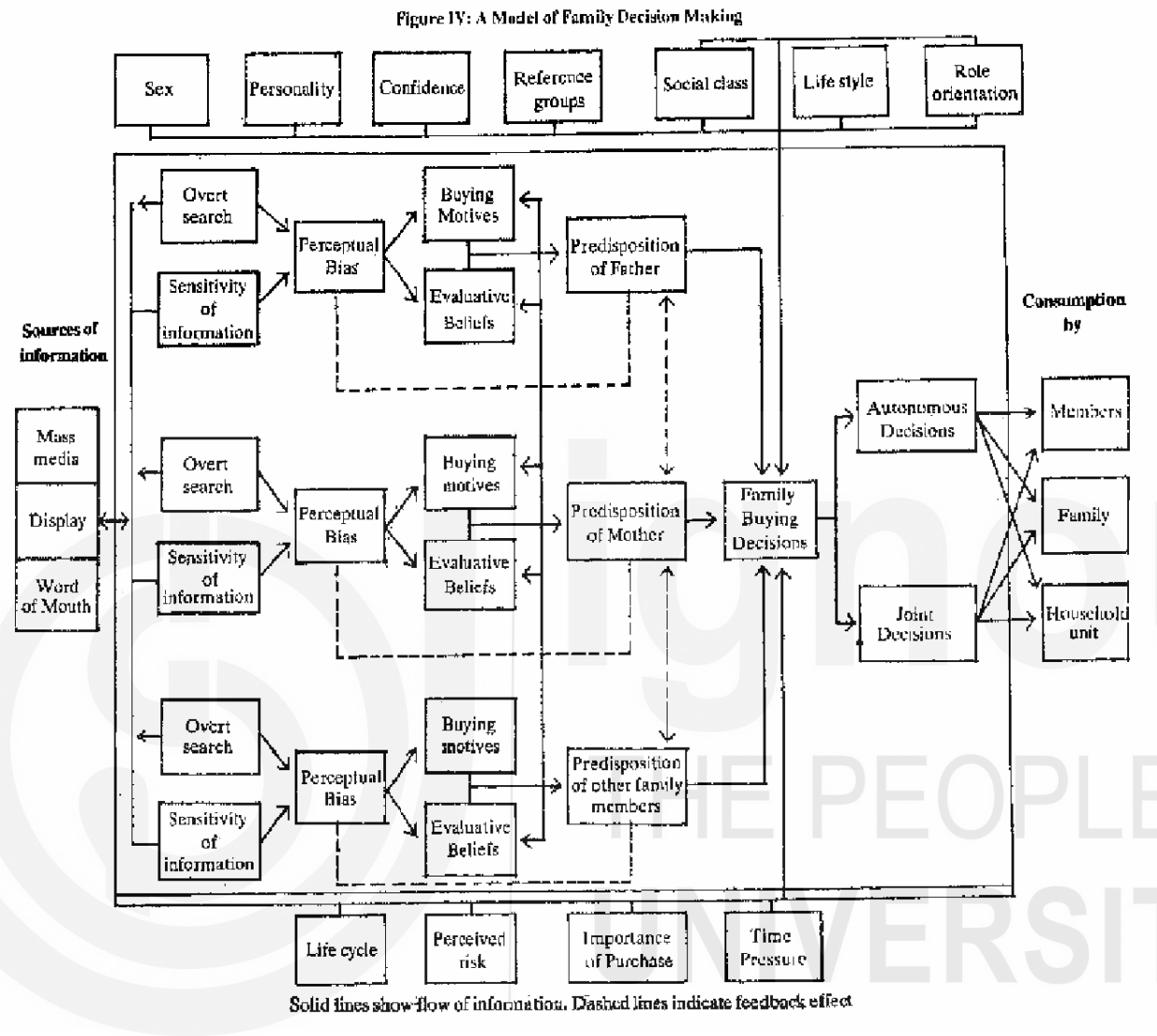
v) **Preparers:** Those family members who transform or prepare the product into the form in which it is actually consumed. The housewife may prepare the family meal using raw vegetables, lentils, spices, oil and other ingredients.

vi) **Users:** Those family members who use or consume a particular product or service. All family members may use the car, watch the television, listen to the stereo music system.

The roles played by different family members will vary from product to product. While shopping in the market, a housewife comes across a new variety of squash which she buys for the family. Her decision to purchase does not directly involve the influence of other family members. She is the decider, buyer, she may or may not be the preparer and is not the only user.

In case of products such as television, car, music systems, furniture or any such product which is likely to be used by some or all the family members, the purchase decision is likely to be a joint or group decision (with participation of some or all family members). Figure IV shows a model of family decision-making.

Figure IV: A Model of Family Decision Making



The left side of the model diagram shows the separate psychological predispositions of the father, mother and other family members which lead to "Family buying decision" which may be either individually or jointly made.

Whether a decision will be made individually or jointly is affected by (i) social class,

(ii) Life-style, (iii) role orientation, (iv) family life-cycle stage, (v) perceived risk, (vi) product importance, and (vii) time pressure. Decisions are more likely to be made jointly in middle class, closely-knit families or in case of newly married couples. Also, when the product under consideration is thought to be important to the family, when the perceived risk associated with it is high and there is ample time to make the decision.

Now let's once again catch up Mr. Rao who is being assigned the task of purchasing desk tops for the organisation is associated with. As already mentioned purchasing for on behalf of the organisation is called as Organisation Buying Behaviour (OBB).

4. 17 WHAT IS ORGANISATIONAL BUYING BEHAVIOUR

Let's start the discussion with the definitions to understand and appreciate the organisational buying process.

According to Pette D. Bennett, ***"Organizational buying behavior is the decision making process by which a buying group establishes the needs for goods and services and identifies, evaluate, and chooses among alternative brand and suppliers."***

According to W. M. Pride and O. C. Ferrel, ***"Organizational buying behavior refers to the purchase behavior of producers, government units, institutions and resellers."***

Thus it's evident from the above definitions that Organizational Buying Behaviour is a complex decision-making and communication process involving selection and procurement of product and services by organizational buyers.

While organizational behavior refers to the buying behavior of organizations that buy products for business use, resell or to make other products. These organisations include other businesses, industries, retailers etc. Similarly, government bodies buy goods for office and conducting development program. Non-governmental organizations, hospitals, educational institutes, social organizations, religious organizations etc. buy goods to provide services to their clients or customers.

4.18 ORGANISATIONAL BUYING PROCESS

Organizational buying behaviour or buying process refers to the process of how companies or organizations buy goods and services. Organizational Buying is not an easy task as perceived by most people. On the contrary it is a complex process and procedure involving critical external and internal factors and more importantly the participation of people of varied positions and their experiences at all stages of buying process.

Organizational buying processes include eight stages. In practice the organization may go through all of these stages sequentially or it may change some of them. This depends on buying quantity, buying price, nature of goods, buying frequency etc.

1. Need or Problem Recognition

The first stage of need recognition starts with someone in the company recognises a need or a problem that can be met by acquiring a good or service. Needs could be recognized in two ways. They are: external stimuli and internal stimuli. If a company decides to produce new goods, it is internal stimuli. It needs to buy new goods and equipment. Similarly, when a buyer observes trade exhibition, s/he may make his/her idea to buy new goods. Such idea is external stimuli, because this idea is made from outer environment and materials should be purchased for this.

2. Need Description

Once the need is recognized, the buying company should describe the general characteristics and quantity of a needed item. If the items are of standard nature this task becomes easy otherwise in case of customised items then the help o f engineers, users and consultants should be taken for such items.

3. Product Specification

At this stage of the buying process the task of buying organization decide on the item/product and specify the best technical product characteristics for the required item. If need arise technician's help should be taken for the task.

4. Supplier Search

At this stage of organizational buying process, the buyer searches for the best vendor or supplier for the intended item and prepare a list of suppliers to decide upon for order placement. This list is prepared by looking at trade directory, searching in Internet, asking other companies for suggestions etc. If the goods to be bought are new, complicated and costly, it needs long time to search suppliers.

5. Proposal Solicitation

Proposal solicitation is the fifth stage of organizational buying process signifying the invitation to qualified suppliers to submit their proposals. As customary some send catalogue or sellers to the organization. If the product is costly and complicated, the buyer seeks a detailed proposal, and if the product is technical, business organization calls for presenting the product itself.

6. Supplier Selection

At the sixth stage of organizational buying process, buyers review and assess the proposal and select one or more suppliers. For selecting the suppliers, a list is prepared and rating is made on the basis of their attribute and importance. Then the best supplier is selected.

7. Order Routine Specification

This stage is characterised by the selection of the best suppliers. The buying firm writes the final order with the chosen suppliers, listing the technical specifications; quantity needed, and expected time of delivery, return policies and warranties which should be clearly mentioned

8. Performance Review

This is the last stage of organizational buying. The buyer reviews suppliers' performance which helps to take decision whether to continue the relation with the supplier or change or end the relation. If the performance of the supplier is satisfactory, the relation can be continued; if it is somewhat defective, if partial correction is made and the relation is maintained. But if the performance is disagreeable then the association will be discontinued.

4.19 FACTOR AFFECTING ORGANISATIONAL BUYING

Similar to various factors that affect consumer buying process the organisational buying process does also get affected both external as well as internal factors. We will now discuss the factors which may directly or indirectly influence the organisational buying behaviour.

I. Environmental Factors

Environment factors affect organizational buying behavior. This includes economic, technological, political-legal, social responsibility and competition.

- Economic factors affect organizational buying behavior.The level of demand includes capacity and desire for buying goods. This is affected by income distribution and price of product. While economic health constitutes prosperity, recession and

recovery.

- Technological factors also affect organizational behavior. This includes level and pace of technology, technology transfer etc. E-commerce as well as information technology has got revolutionary change.

- Political and legal factors do affect organizational buying process directly. Political factors include political system, political situation, and political thought, government policies etc. While constitution, laws, rules and regulations etc. are included in legal factors.

- A business organization should consider social responsibility while buying any goods or services. Indigenous goods should be given preference in buying and interest of society should be protected. Interest of different pressure group of the society also should be considered while buying goods or services.

- Competition is no exception it affects buying behavior. This competition includes pure competition, monopolistic competition and oligopoly competition.

II. Organizational Factors

Organizational factors also affect organizational buying behavior. This includes objectives, policies, procedures, organizational structure and system.

- Buying objective is determined according to organizational goal. Goods should be purchased according to organizational objective. As goods or services need to be purchased according to organizational goal, buying is affected by objective.

- Purchasing or buying policy also effects organizational buying behavior. Goods should be purchased according to buying policy of the organization. If the organization has the policy of buying indigenous goods, the buyer cannot buy foreign goods. If the purchasing policy is silent in this matter, whichever goods, foreign or indigenous, can be purchased as desired.

- The methods and process adopted by an organization to buy goods or services is called procedure. Goods or services can be purchased directly through agreement, or through tender, demanding catalog etc. Any of the method can be adopted to buy goods or services. Whichever procedure the organization has adopted, the buyer should follow it.

- Organizational structure defines authority and relations which directly affects buying behavior. In some organizations, goods or services are purchased by direct order of chief executive while in some other organizations, goods or services are bought

through purchase department. So, buying behavior is affected by organizational structure.

- Purchasing system also directly affects buying behavior. An organization can adopt any one or more such as centralized system, decentralized system, huge quantity purchase system and others.

III. Interpersonal Factors

Interpersonal factors also affect buying behavior. This includes authority, status, interest etc.

- The personnel whom the organizational structure gives authority to order for purchase, no goods can be purchased without his order. Buying decision of such authority plays an important role in buying.

- The persons to purchase goods or services and to give order for purchase may be different in an organization. As much the behavior of the person issuing purchase order affects behavior of the buyer. If the status or level of the buyer is high, his buying decision becomes rational and quick. His/her behavior becomes mature.

- Users, influencers, buyers, decider and gate keeper are involved in organizational buying process. Their interest affects organizational buying process. As their interest becomes different, buying process may be complicated.

IV. Personal Factors

Personal factors also affect buying behavior. This includes age of person, education, level of job, personality etc.

- Age of person also affects selection and priority. Younger persons make buying decision and supplier selection quicker than older aged persons. Similarly, the younger persons try to find new suppliers whereas older persons try to give continuation to the same who is supplying. So this also affects buying process.

- Education makes person able to analyze good or bad. So, an educated person takes buying decision rationally whereas uneducated person makes buying decision at hit and miss or hunch. Educated person selects goods or services carefully. So, buyer's education also affects organizational buying behavior.

- Job position also shows a person's status. Buyer's position or status also affects his buying behavior. Buyer's status may be low or high.

- Personality of person working in an organization may be different. Personality affects selection of quality, brand, price etc. So, buyer's personality also affects organizational buying behavior.

- Risk bearing capacity of men becomes different. Some can bear more risk and others like to take less risk. Similarly, some like to avoid risk and some others like to face. The capacity and attitude to bear risk also affect buying behavior. The buyers having the capacity to take high risk become aggressive. But those having less risk bearing capacity and having no risk bearing capacity do not do so.

Figure 3: Major Factors on Organizational Buying Behaviour

4.20 SUMMARY

Consumer behaviour is the study of why, how, what, when, where, and how often do consumers buy and consume different products and services.

Knowledge of consumer behaviour is helpful to the marketer in understanding the needs of his different consumer segments and developing appropriate marketing strategies for each. It is also useful for the marketer in developing an understanding of, how consumers respond to the various marketing stimuli, which he provides in terms of the product, price, promotion and place. If the marketer can correctly identify those stimuli that evoke a positive response in the consumer he can very easily design effective marketing strategies using these stimuli.

The study of consumer behaviour also provides an insight into how consumers arrive at the purchase decision and the variable which influences their decision helps in positive purchase decision.

A consumer's decision to purchase a product is influenced by a number of variables which can be classified into four categories, namely psychological, personal, social, and cultural. In addition consumer behaviour is influenced by his motives, perceptions, attitudes and learning.

For the marketer it is essential to associate his product with the motives and positive perceptions of his consumers. Also he must ensure that the product concept fits in with the consumer's existing attitudes and beliefs.

Consumers differ from one another in terms of their sex, age, education, income, family life-cycle stage, personality and life style, and other personal characteristics which influence their buying behaviour. To successfully market to consumers with differing personal characteristics, the marketer must accordingly modify his marketing, strategies.

Culture is the most pervasive influence on our lives and influences all aspects of our behaviour; consumers operate within the cultural framework of their society and purchase only those products which fit in with their cultural norms. While social classes are group of people who have similar income, education, wealth, social -status, value and beliefs. The marketer must understand that people with different cultural, sub-cultural and social class background have different product and brand preferences and need suitably modified products and marketing strategies.

A decision refers to the selection of a particular alternative out of the several available alternatives. The process by which consumers arrive at a decision can be explained with the help of a model comprising an input, process and output. Input refers to the marketing and non-marketing stimuli received from the socio-cultural environment, the decision process variables are influenced by the individual customer's own psychological characteristics which affect his need recognition, pre- purchase information search and evaluation of alternatives. The output of the model comprises the actual purchase and its post purchase behaviour.

This simple model becomes increasingly complex, as the complexity of the decision-making process increases. Three distinct types of buying decision behaviour can be identified ranging from the rather simplified routinised response behaviour to the increasingly complex limited problem solving and extensive problem solving. The complexity of a decision also increases depending upon the number of people involved in making the decision. Certain decisions are made singly while others are made jointly. This is especially so in the context of a family situation where different family members play different roles such as influences, decider, gatekeeper, etc. In this context, we described a model of family buying behaviour as well as the Howard-Sheth and Engel-Blackwell-Kollat models of individual buying behavior.

The organisational buying behaviour is a complex process in decision making. A variety of influences and factors add to its complexity. Questions such as

How does an organisation buy?

Who takes the buying decisions in an organisation?

What factors influence the buying behaviour of an organisation?

What evaluation criteria are used to select the vendors?

4.21 KEYWORDS

Motivation: Strong, unfulfilled need which spurs a person to take action for his satisfaction.

Perception: Process of selection, organisation and interpretation of stimuli into cohesive, coherent picture.

Stimulus: An input to any one of the five senses.

Attitudes: Enduring and learned tendencies to act in a particular consistent way with regard to a given object or idea.

Belief: A descriptive thought that an individual has about a product, service, idea or practice.

Learning: Process of applying results of past experiences to evaluate a new situation or modify future behaviour.

Demographics: Objective and easily measurable characteristics of a population such as age, income, education, occupation, sex and marital status.

Psychographics: The technique of measuring life-styles using psychographic characteristics such as attitudes, opinions, and interests.

Life-Style: An individual's pattern of living in the world as expressed by the manner in which he spends money and time on various activities and interests, and the opinion that he holds.

Reference group: A group that serves as a point of reference or comparison for an individual in the matter of forming value, attitudes or behaviour.

Sub-culture: 'Culture within a culture'; distinct groups of people grouped on the basis of nationality, religion, geographic region or race and having their own distinct motives, values and behaviour patterns.

Social Class: Division in a society comprising people sharing same social status, values, beliefs, attitudes, and exhibiting a distinct preference for certain products and brands.

Diffusion of Innovation: Process by which the acceptance of an innovation (or product, service, idea) is spread by communication to members of a society and the adoption of the innovation in terms of actual purchase of the product.

Decision: A choice made from among several possible alternatives.

Evaluation of alternatives: A stage in the consumer decision-making process in which the consumer appraises the advantages and disadvantages from each of the product/brand alternatives, so that the choice may be narrowed down.

Extensive Problem Solving: An exhaustive search by the consumer to establish the necessary product criteria to enable him to knowledgeably evaluate and select the most suitable product to fulfil his needs.

Gatekeeper: Family member who controls flow of information about a product/brand thus influencing the family's decision-making.

Influencer: Family member who provides information and advice to other family members thereby influencing their decision-making.

Joint decisions: Decisions which are made with the active participation of two or more individuals, joint decision occur most commonly in the context of families and organisation.

Limited Problem Solving: A search by a consumer for a product that will satisfy his basic criteria from among a selected group of brands.

Model: A simplified representation of reality to show the relationship between various elements of a system or process.

Post-purchase dissonance: The discomfort or dissatisfaction which a consumer feels after having made the purchase, especially when the gap between expected and actual performance of the product is very large.

Pre-purchase search: A stage in the consumer decision-making process in which the consumer actively seeks out information concerning product alternatives that will satisfy his unfulfilled need.

Buying Centre: It comprises of members, who are directly or indirectly connected with the organizational buying decisions. The different roles are :

Users. Individuals who actually use the product-service package. They are sometimes also defined as `indentors' or 'specifiers'.

Deciders. Individuals who are entrusted with the responsibility of making the buying decision. This category can include ad hoc purchase committees.

Specifiers. Those individuals who develop and finalise the product's technical specifications.

Buyers. Individuals who are entrusted with the. act of formalising the final order and the commercial terms and conditions. They are normally executives of the purchase department.

4.22 SELF-ASSESSMENT QUESTIONS

Choose five magazines or newspaper advertisements for different consumer goods. Study the advertising appeal in each advertisement and identify which need(s) each product is supposed to satisfy (according to Maslow's hierarchy of needs).

Name and describe the different types of groups that may have influenced your behaviour in terms of making a decision:

To buy a particular brand of Smart phone

To choose a school/college for your child

To buy a Laptop or Computer Furniture for your office use.

If you are invited to someone's home for the first time, what factors would you consider in making an estimation of their social class?

Give an example from your own experience of each of the following types of cultural learning:

a) formal `learning
b) informal learning
c) technical learning

Discuss the importance of sub-cultures in segmenting the Indian market for food products. Divide India into four regions comprising North, South, West and East and then proceed further.

1. Identify three different products that you think would require a great deal of pre-purchase search by a consumer. Assume that you are the buyer for these products. Identify the very specific external sources of information you would tap in your search.
2. Describe a recent purchase you have made in terms of the model described in Figure I.
3. A consumer is at the evaluation stage of the buyer decision process when considering the choice of retail outlet for buying a refrigerator. What factors do you think most consumers would rank as `most important' in their choice of outlet?
4. Apply the six different roles which family members play in the context of the following decisions:
   i) deciding the restaurant on a weekend outing
   ii) buying a gift for a close relative on the occasion of House warming ceremony
   iii) buying a pair of denim(casual wear) for the wife

Assume that the family comprises husband, wife, a 15 year old son, a 11 year old daughter and a 67 year old grand-mother.

5. With a suitable example explain what do you understand by the term organizational buying behavior?
6. Discuss the stages involved in the organizational buying process.
7. What are the factors that affect organizational buying process? Elaborate the importance of each of the factor in process of buying activity.

4.23 FURTHER READINGS

Schiffman, Leon G., and Kanuk, Leslie Lazar, 6th edition Consumer Behaviour, Prentice-Hall of India, New Delhi

Kotler, Philip, 2002 Marketing Management, Prentice-Hall of India Private Limited, New Delhi

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MMPC-006
Marketing Management

Block

2

PRODUCT AND PRICING DECISIONS

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MATERIAL PRODUCTION

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Block 2 PRODUCT AND PRICING DECISIONS

In this block, we will look into two of the 4Ps of marketing mix namely, Product and Pricing respectively. Product is the first and foremost element in the marketing mix. Product strategy calls for making coordinated decisions on product mixes, product lines, brands and packaging and labeling.

The opening Unit in this block introduces you to product decisions. These decisions are a direct outcome of the strategic choices a company makes by way of seeking market orientation. The importance of five levels of firms offering is at the core of the unit and takes you though the classification of products and their characteristics. Product mix decisions pertaining to line stretching and pruning strategies are touched upon.

In second Unit we will discuss the important features of a product namely branding its role in giving a suitable name in line with the nature of the product/service. Packaging of products discussion is particularly useful in the current context in view of the technological advances and changes taking place in packaging industry and with more and more commodities being sold as branded products.

The third Unit of this block is concerned with the sale and profit behavior of a product as it moves from its first phase of life cycle to the next. Thus the product life cycle concept is an extremely important for marketers to continuously nurture and monitor which, at times, is neglected by even well known companies. The unit also describes the process of new product development and the various decisions that the marketers should consider in the whole process of new product development process.

The concluding Unit of this block discusses one of major areas in marketing, namely, pricing its scope and practices in respect of pricing decisions. Pricing, as you know, is concerned with the monetary value of the product and is really determined not purely in terms of the cost but also major objectives of expected marked share, rate of return and price competitiveness of the product. Pricing decision constitutes a critical dimension of the marketing strategy.

UNIT 5 PRODUCT DECISIONS

Objectives

After reading this unit you should be able to:

- understand the nature and characteristics of products
- identify difference between consumer and industrial products
- appreciate the concept of product differentiation
- identify various product line decisions
- understand how to manage product mix and product lines

Structure:

5.1 Introduction
5.2 Nature and concept of product
5.3 Product levels
5.4 Product classification
5.5 Product differentiation
5.6 Product line decisions
5.7 Summary
5.8 Key Words
5.9 Self -Assessment Test
5.10 Further Readings

5.1 INTRODUCTION

Marketing planning starts with the formulation of a product offering to meet the needs and wants of the customers' in the target market. The customers evaluate the market offering by three basic elements viz. product features and quality, service mix and quality and price. Thus product is a key element in the market offering.

Product related decisions form one of the 4-Ps of the marketing mix. These decisions include development and introduction of new products, improvement of existing products, planned elimination of obsolete products and packaging and branding. We will discuss the framework around which the product decisions are taken. These will include nature and concept of product, product levels, and product classification to identify types of products, product differentiation, and the new concepts of product systems, product-mixes and product line analysis.

5.2 NATURE AND CONCEPT OF PRODUCT

Generally, product is perceived to be a tangible offering but the concept of product is much more than that. A ***product*** may be thought of as anything that can be offered to the target market to satisfy a need or a want. These, in addition to *physical goods* include *services, experiences, events, information, ideas, organizations, persons, properties and places.*
It is important to have a correct and proper perspective of the meaning of a product in order to be effective at sales and marketing. Let us consider an illustration.

During a seminar attended by experienced sales persons, the facilitator asked the question,

What do you sell?

Various answers were received from different groups of participants. One group answered, **"Soaps".** On being asked to repeat the answer the sales persons shot back, **"Soaps, soaps, soaps"**. They even gestured to enable the facilitator to visualize what they meant. On being asked the same question, another group of experienced sales persons replied **"Smart phones"**. On persistent questions the group repeated the answer, **"Smart phones, smart phones, smart phones"**. They used sign language to explain what they meant. Yet another group of participating sales persons responded by saying **"Refrigerators".** They repeated their answer in one chorus, **"Refrigerators", refrigerators, refrigerators"** on persistent questioning. These participants also gestured to explain what they meant in order that the facilitator may visualize.

The question is, **"Were the sales persons correct in their answers"?**

Activity 1

In the above example, if you think that the answers given by the sales persons were incorrect, write down in the space provided below, what exactly the sales persons were selling, instead of what they said they were selling:

1. Soaps

   ---

2. Smart phones

   ---

3. Refrigerators

Before we analyze the answers, let us consider another question. Fill in the blank or complete the sentence given below:

"A good sales person does not sell goods. He sells ----------"

If the answer to above question is 'experience', 'benefit', 'satisfaction' or 'attribute', we are on the right track. Let us understand, the customer is not interested in physical goods. She/he is interested in bundle of benefit, utilities or satisfactions from the product. This is the concept that one must understand so that a sales person becomes market oriented or customer centric.

Let us again consider the example of soap. Does the sales person sell a product that comprises of some combination of chemicals that is rectangular in shape? Let us recall some of the advertisements of soap offered by Hindustan Unilever. Is the cine actress who appears in the advertisement is being promoted? No! no way!! They are selling a 'good complexion, and the idea of having a 'glowing skin' or 'freshness'. Same is true for other two examples of 'smart phones' and refrigerators'.

Activity 2

What does a car manufacturer sell? Put a (√) against the correct answer from amongst the following. You may choose any other' option, if you feel that the answer is something different then justify your choice

Answers:

( ) assembled parts of metals, rubber, paint and other materials

( ) a mass of molecules

( ) a symbol of economic and social status

( ) transportation

( ) any other

A car is certainly more than a mere assembly of metals, rubber and other parts. It indeed provides 'transportation' which is one of the important benefits offered by a car. However, this is not the only

reason that cars are purchased. Why do some people buy high-end expensive cars may be of foreign origin? It may be due to the considerations such as 'status symbol' sought by some buyers.

Thus, it may be said that a product is a combination of several characteristics – that include both physical and psychological. How people actually perceive or feel about the product is as important as the actual characteristics of the product.

5.3 PRODUCT LEVELS

While planning a product/service offering, the marketers need to consider five product levels. Each level adds additional customer value. The product levels are:

- Core benefit: the benefit or service the customer is really buying
- Basic product: the core benefit turned into a 'basic product'
- Expected product: set of attributes buyers generally expect when they purchase a particular product
- Augmented product: one that exceeds customers' expectations
- Potential product: includes all the possible changes and transformations the product may undergo in the future

5.4 PRODUCT CLASSIFICATION

Products can be classified on the basis of such characteristics as durability, tangibility and usage (consumer or industrial). Accordingly, the products may be classified on the basis of usage into two types:

A. Consumer Products
B. Industrial Products

Consumer Products

Consumer goods are those that are used ultimately by consumers or households and in such forms that they can be used without any further commercial processing. These can be classified into three groups on the basis of durability and tangibility:

i. Consumer Non-durable goods
ii. Consumer Durable goods
iii. Services

i. Consumer Non-durable goods

Non-durable goods are tangible goods that are normally consumed in one or few uses. They get depleted with consumption. These are generally purchased frequently, consumed quickly and without making much effort or as a habit. There are repeat purchases once the consumer is satisfied. Marketers need to ensure easy availability, price inexpensively and advertise heavily to induce purchase and as a result build brand preference and brand loyalty. Examples include soap, salt, sugar, soft drinks and other daily use products.

ii. Consumer Durable goods

These are tangible goods that survive many uses. They require more personal selling and service, command higher margins, and require after sales service and more seller guarantees. Examples include' refrigerators, air conditioners, Television sets, clothing and machine tools etc.

iii. Services

Services are intangible, perishable, variable, and in-separable products. They normally require more quality control, supplier credibility and adaptability. Examples include legal advice, personal care (beauty care etc.), management consultancy, airlines, banks, hotel and hospitality services, chartered accountants, medical practitioners, insurance providers and non-profit organizations like museums and charities etc.

Consumer goods can also be classified on the basis of shopping habits. Accordingly these can be divided into following categories:

- **Convenience goods**
- **Shopping goods**
- **Specialty goods**
- **Unsought goods**

Convenience goods

Consumers usually purchase convenience goods frequently, immediately and without spending much effort. Examples include soaps, newspapers and tobacco products. This category of goods can also be sub-divided into *staples*, *impulse goods* and *emergency goods*.

Staples are purchased by consumers regularly; thus a buyer may consume toothpaste, confectioneries such as biscuits and snacks routinely.

Impulse goods are purchased without planning and search effort. Such purchase decisions are sudden in a spur of a moment. Examples are chocolates, ice creams, and potato chips etc.

Emergency goods are purchased when a need is urgent. Woolen clothing during winters and rain coats and umbrellas are examples of emergency goods.

Shopping goods

Purchases of shopping goods involve considerable time and effort on the part of consumer. Consumers typically compare and contrast various available options on bases such as suitability, quality, price and style etc. during the purchase process. Examples include furniture, clothing, automobiles and major appliances.

Specialty goods

These goods have unique attributes or brand identification for which a sufficient number of buyers are willing to make special purchasing effort. Examples include branded watches, luxury goods, special music systems, home theatre, branded men's suits etc.

Unsought goods

These are goods about which buyers are not aware or normally do not think of buying. Typical examples include reference books, insurance and encyclopedias. Unsought goods require intense advertising and personal selling.

Industrial goods

Industrial goods are primarily sold to business and industrial organizations for use in manufacturing other goods or for providing some service. These include materials, material parts and components, machinery and consumable items etc.

Industrial goods can be classified in terms of how they enter the manufacturing process and their relative costs. There are three groups of industrial goods:

a. **Materials and parts**
b. **Capital items**
c. **Supplies and business services**

Materials and Parts

Materials and parts are industrial goods that enter the manufacturer's product completely. They fall into two classes; *raw materials* and *manufactured materials and parts*.

Raw materials in turn fall into two major groups: *farm products* (Examples include food grains, fruits, vegetables and cotton etc.) and *natural products* (metal and mineral ores, crude petroleum, fish etc.)

Farm products are supplied by many producers who turn them over to intermediaries who in turn provide assembly, grading, storage and transportation and selling services. Since they are perishable in nature, special marketing practices are required to sell these goods. Little advertising and promotional activity is required due to commodity character of farm products.

Natural products are limited in supply. They have great bulk and low value and must be moved from producer to user. Since users depend on these materials, long term supply contracts are common. Price delivery reliability is the main factors influencing the selection of suppliers.

Manufactured materials and parts fall under two categories: *component materials* (Examples are iron, yarn, cement and wire etc.) and *component parts* (electric motors, pneumatic cylinders, tires, casting and forgings etc.). Components are processed further while component parts enter the finished product with no further change in form. In case of component materials, price and supplier reliability are key purchasing factors while in case of material parts, price and service are the major considerations' branding and advertising are less important.

Capital Items

These are long-lasting goods that facilitate developing and managing the finished product. They fall under two categories: *installations* and *equipment*.

Installations consist of buildings, factories, offices, and utility equipment like air compressors, boilers, generators, powerful computer, servers and elevators etc. Installations are major purchases and are procured directly from the producers. Direct selling is involved and is backed up by after sales service while advertising is less important.

Equipment comprise of portable factory equipment and tools such as hand tools and lift trucks etc. and office equipment such as desk tops, laptops and copier machines etc. Quality, features, price and service are major purchasing considerations. Sales-force is more important than advertising.

Supplies and business services are short term goods and services needed for development and management of the product. Supplies are of two kinds; *maintenance and repair items* (Examples paint, nails etc.) and *operating supplies* (Examples lubricants, coal, writing paper etc.). These are normally sold through intermediaries. Price and service are the main purchasing considerations.

Business services **include** ***maintenance and repair services*** (Examples, air conditioner, copier machine repair services etc.) and *business advisory services* (Examples, legal, management

consultancy and advertising etc.). *Maintenance and repaired services* are usually provided under a contract by small producers. Supplier's reputation and quality of staff are important considerations in case of *business advisory services*.

Activity 3

I. List the types of products that you can think of or the ones that you are currently selling:

_____
_____
_____
_____
_____
_____

II. Identify customers in each case.

_____
_____
_____
_____
_____
_____

III. How do they differ from each other?

_____
_____
_____
_____
_____
_____

5.5 PRODUCT DIFFERENTIATION

In order to be branded, products need to be differentiated. Marketers are always looking for newer dimensions to be able to differentiate products. Products can be differentiated based on the following:

i. Form; size, shape, color or physical structure
ii. Features; attributes, utilities
iii. Performance quality; basic level at which the product's primary characteristics operate
iv. Conformance quality; degree to which all the produced units are identical
v. Durability; a measure of product's expected life under normal/stressful conditions
vi. Reliability; a measure of the probability of that the product will not mal-function or fail within a specified time period
vii. Reparability; measure of ease of fixing the product when it mal-functions or fails
viii. Style; describes the product's look and feel to the buyer
ix. Design; it is the totality of features, that affect how a product looks and functions in terms of customer requirements
x. Service; ordering ease, delivery, installation and maintenance& repair

5.6 PRODUCT LINE DECISIONS

Let us now have a clear understanding of product or product item, product system. Product-mix and product line. These terms are frequently used in managing products.

A ***product or product item*** refers to specific product or brand like Apple or Samsung smart phone. There are companies have only one product (though it is rarely these days) and there are other companies who offer many products for reasons such as to gain more market share or profits or both. Product strategy involves having single product or more than one product. In this regard, a ***product line*** is a term used to describe a group of closely related products. For example, Hindustan Unilever Limited (HUL) offers its product line that includes personal care products. In addition, HUL does have other product lines from food and refreshments to home care etc.

One may also consider a ***product system*** as a group of different but related products that function in a compatible and consistent manner. For example, PC (desk top) product lines come with attachable head sets, key boards, camera, presentation projectors, and voice recorders etc.

Further, a ***product mix***, also called product assortment, is the set of all products and items that a particular seller offers. For example, Dabur India Limited has a wide range of products that include five flagship brands with distinct brand identities -- Dabur as the master brand for natural healthcare products, Vatika for premium personal care, Hajmola for digestives, Réal for fruit juices and beverages and Fem for fairness bleaches and skin care products.

Product line decisions involve identifying specific products a company wishes to offer and very often a product manager is appointed to look after a product line/s. She/he is responsible for maximizing market share and to ensure sustained growth in terms of sales revenue and sales volume resulting in higher margins. The product line decisions are taken as to how long or short the line should be. A product line is often meant to cater to requirements of various customer segments of the target

market. These decisions are based on the objectives of the company, availability of various resources and the profit potential of the proposed product lines.

For example, Marico Industries, manufacturer of edible oils offers various products under its flagship brand 'Saffola' to cater to the needs of various customer segments.

Activity 4

Identify product items for the following products for various organizations or brands.

Brand/Organization	Product Line	Product Item
LG Electronics	Color TVs	----------
Suzuki India	Four wheelers	----------
Hindustan Unilver	Soaps	----------
Whirlpool	Refrigerators	----------
Hero MotoCorp	Two wheelers	----------

A company's product mix has certain:

a. Width
b. Length
c. Depth
d. Consistency

Width of a product mix refers to how many different product lines the company carries while the length of a product mix refers to total number of items in the mix. The depth of the product mix refers to the number of variants are offered of each product in the line. Finally, the consistency of product mix refers to how closely the various product lines are in end use, production requirements, distribution channels or some other way.

These four product-mix dimensions permit the company to expand its business in four ways:

- It can add new product lines thus widening its product-mix
- It can lengthen each product line

- It can add more product variants to each product and thus deepen its product-mix
- The company can pursue more product-line consistency.

Product-Line Analysis

In offering a product line, companies generally develop a basic platform and then modules that can be added to meet different customer requirements. Product line managers need to know the sales and profits of each product item in the product line in order to determine which product items to build, maintain, harvest, or divest. They also need to know each product line's market profile.

Product-Line Length

The following objectives of a company determine the product line length. One objective is to create a product to induce up-selling. For example Tata motors introduced Tata Indigo to move customers up from Tata Indica. Another objective is to create a product that facilitates cross-selling. HP sells printers as well as PCs/laptops. Yet another objective could be to create a product line to protect against cyclic economic ups and downs. Samsung offers white goods such as refrigerators, washing machines, televisions, micro wave ovens, and air conditioners under different brand names to cater to entry level, mid-level and premium segments. Companies who seek high market share and market growth generally carry longer product lines while companies that lay emphasis on higher profits generally carry shorter product lines.

Product lines tend to lengthen over time. It may be due to the following:

- Pressure due to excess production capacity.
- Pressure from sales-force and/or distributors to offer a more complete line as a result of customer/market demand.

However, as more product items are added costs rise substantially; such as design and engineering costs, inventory costs, manufacturing changeover costs, order processing costs, transportation costs and the new promotion costs. Thus, decisions regarding lengthening the products are reviewed periodically and may sometimes call for pruning the non-profitable product lines.

A company can lengthen its product line in two ways:

i. **Line stretching**
ii. **Line filling**

Line Stretching

Line stretching occurs when a company lengthens its product line beyond its current range. This can be accomplished in following ways:

a. Down-Market stretch
b. Up-Market stretch
c. Two-way stretch

Down-Market stretch is undertaken when a company that has positioned itself in the middle market may like to introduce a lower-priced product. It may be due to any of the reasons mentioned below:

- ❖ It notices strong growth potential as mass retailer
- ❖ It may wish to tie up lower end competitors who might otherwise try to move up-market
- ❖ It may find that the mid-market is stagnating or declining

However, the company faces challenges in naming the brands while moving down-market. Further, there are risks involved in moving down-market related to positioning and pricing decisions.

Up-Market stretch is undertaken when companies wish to enter the high end of the market for more growth, higher margins or simply to position themselves as full-line manufacturers. For example, car manufacturers such as Toyota introduce high end luxury cars (Lexus).

In *Two way stretch*, companies operating in the middle market may decide to stretch their line in both directions. The objective is to seek leadership position in the given market.

Line Filling

A product line may also be lengthened by adding more product items with in the current range. The motives of line filling may include reaching for incremental profits, trying to satisfy dealers who complain about lost sales because of missing items in the product line, trying to utilize excess capacity, trying to be a leading full line company and trying to fill gaps to keep out competitors etc. If over done, line filling may lead to cannibalization and consumer confusion as the company needs to differentiate the product item in the mind of the consumer.

A company needs to continuously modernize, rationalize and improve its product line by undertaking 'New Product Development Programme (NPD) from time to time.

5.7 SUMMARY

Product is the first and foremost element in the marketing mix. Product strategy calls for making coordinated decisions on product mixes, product lines, brands and packaging and labeling. In planning it's market offering, the marketing manager needs to consider five levels of the product, the core benefit, the basic product, the expected product, the augmented product and the potential product which includes all the augmentations and the transformations the product might eventually under go.

Products can be classified in many ways. Considering durability and reliability, products can be non durable goods, durable goods or services. In the consumer goods category, products are; convenience goods (staples, impulse goods, emergency goods), shopping goods, or unsought goods. In the industrial goods category, products can be divided into three categories viz. materials and parts (raw materials and manufactured materials and parts), capital items (Installations and equipment), and supplies and business services (operating supplies, maintenance and repair items, maintenance and repair services and business advisory services).

Products can be differentiated on the basis of a number of various product or service dimensions; product form, product features, performance, conformance, durability, reliability, repairability, style and design. Differentiation can be carried out on the basis of service dimensions also such as ease of ordering, delivery, installation, customer training and maintenance and training etc.

Most of the companies sell more than one product. A product mix can be classified according to width, length, depth and consistency. These four dimensions are used for developing company's marketing strategy and in deciding which product to grow, maintain, harvest and or divest. In order to analyze a product line and how many resources should be invested in that line, the marketing manager need to consider sales, profits and market profile.

A company can change the product component of its marketing mix by lengthening its product line via line stretching (Down-Market stretch, Up-Market stretch, Two-way stretch) or line filling by modernizing its products, by featuring certain products and by pruning its products to eliminate the least profitable ones.

5.8 KEY WORDS

Product: A product may be thought of as anything that can be offered to the target market to satisfy a need or a want. These, in addition to *physical goods* include services, experiences, events, information, ideas, organizations, persons, properties and places.

Product levels: While planning a marketing offering, the marketers need to consider five product levels. Each level adds additional customer value. The product levels are: Core benefit, the basic product, the expected product, the expected product, the augmented product and the potential product which includes all the augmentations and the transformations the product might eventually under go.

Consumer goods: Consumer goods are those that are used ultimately by consumers or households and in such forms that they can be used without any further commercial processing.

Non-durable goods: Non-durable goods are tangible goods that are normally consumed in one or few uses. They get depleted with consumption.

Convenience goods: convenience goods are goods that are purchased frequently, immediately and without investing much effort.

Staples: Staples are goods that are purchased by consumers regularly.

Shopping goods: These are goods wherein purchases of the same involve considerable time and effort on the part of consumer.

Specialty goods: These goods have unique attributes or brand identification for which a sufficient number of buyers are willing to make special purchasing effort.

Unsought goods: These are goods about which buyers are not aware or normally do not think of buying.

Industrial goods: Industrial goods are primarily sold to business and industrial organizations for use in manufacturing other goods or for providing some service.

Capital items: These are long-lasting goods that facilitate developing and managing the finished product. They fall under two categories: *installations* and *equipment*.
Product Differentiation: Product differentiation is a marketing strategy designed to distinguish a company's products or services from the competition.

Product item: A product or product item refers to specific product or brand from a specific company.

Product system: Product system refers to a group of different but related products that function in a compatible and consistent manner.

Product mix: Product mix, also called product assortment, is the set of all products and items that a particular seller offers.

Product length: The length of a product mix refers to total number of items in the product mix.

Product width: Width of a product mix refers to how many different product lines the company carries.

Product depth: The depth of the product mix refers to the number of variants are offered of each product in the line.

Product consistency: The consistency of product mix refers to how closely the various product lines are in end use, production requirements, distribution channels or some other way.

Product line stretching: Line stretching occurs when a company lengthens its product line beyond its current range.

Product line filling: A product line may also be lengthened by adding more product items with in the current range. This is known as line filling.

5.9 SELF- ASSESSMENT TEST

Answer the following questions:

1. Explain the following statement with the help of suitable example:

   "Consumers do not buy products; they buy the benefits or the utilities".

2. Define product and discuss various classifications of products. Support your answer with relevant examples.

3. Explain the terms 'Product system' and 'Product mix'.

4. Explain "Product differentiation". Discuss the dimensions that a company uses to differentiate its products.

5. Explain how differentiation and value is added to a product at each higher level of its evolution?

6. Giving two examples each, explain the terms Width, length, depth and consistency of product line.

7. Explain what is meant by 'Line stretching' and 'Line filling'. Give suitable examples to support your answer.

5.10 FURTHER READINGS

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UNIT 6 BRANDING AND PACKAGING DECISIONS

Objectives

After reading this Unit, you should be able to:

- appreciate the importance of branding and packaging decisions in the marketing of products
- understand the branding decisions and alternative approaches in branding products
- understand the importance of packaging and its various functions
- appreciate the application of packaging as a marketing tool
- familiarise yourself with important legal requirements affecting packaging decisions

Structure

6.1 Introduction
6.2 Brand Name and Trade Mark
6.3 Branding Decisions
6.4 Advantages and Disadvantages of Branding
6.5 Selecting a Brand Name
6.6 Packaging
6.7 Packaging Industry
6.8 Functions of Packaging
6.9 Legal Dimensions of Packaging
6.10 Summary
6.11 Key Words
6.12 Self-Assessment Test
6.13 Further Readings

6.1 INTRODUCTION

Today, most of consumer products and many industrial products, besides their basic features, need attractive packaging and an attractive name. The packaging, besides protecting the product, also enhances its value and often justifies a higher price, as in the case of all premium products class. Similarly, the brand name helps a consumer in instant recall, and this serves an important function for differentiating competing products of similar nature. Branding and packaging of products have undergone tremendous change in Indian context and continue to evolve with new packaging technologies and brand name strategies that would bring in a revolution in the business.

From the days of mostly international brand names, we now have our own Indian names. Similarly now we have increasing use of colorful thermo plastics and other more sophisticated and quality packaging material of products. In this unit we would discuss these two important extrinsic attributes of a product i.e. branding and packaging of products.

6.2 BRAND NAME AND TRADE MARK

A crucial step in the branding strategy is deciding on a specific brand name for the product that is being introduced. In the earlier times when the concept and practice of branding was much less developed, very often the family name/surname was used.

Some of those are still very much alive, for example, Siemens or Ford. The other common method of branding was by way of addressing the product range of the company. Two famous examples are General Motors and General Electric. It seems the function that brand was supposed to perform was either to indicate the source or the origin of the product (family name) or indicate the product range. However, a brand name has emerged as one of the most important elements of the merchandising function in the recent times and will become more and more crucial as the competition becomes more severe in India. Let us understand what the conceptual meaning of the terms brand and brand name is.

Brand: Brand is a word, mark, symbol, device or a combination thereof, used to identify some product or service. The definition clearly focuses on the function of a brand, that is, to identify, irrespective of the specific means employed for the identification.

Brand Name: The American Management Association defines it thus: "Brand name is a part of a brand consisting of a word, letter, and group of words or letters comprising a name which is intended to identify the goods or services of a seller or a group of sellers and to differentiate them from those of competitors."

Comparing this definition with that of a brand, it is found that the function remaining the same, brand name is only one of the means that the brand can use for identification. Brand name is a word or a combination of words/letters that is pronounceable, e.g., Promise toothpaste, Rexona soap, etc. Sometimes you must have also heard words like brand mark and trade mark. Since a brand name is used in identification of a product amongst a competing set, it is necessary that each brand must have only a unique identity and it must also be protected by law. This brings in the concepts of brand mark and trade mark.

A brand mark is a symbol used for the purpose of identification. It can be a mark, a design; a distinctive logo type or a coloring scheme, a picture, etc. In other words, it is not a name but a means of identification, e.g., picture of an elephant in a distinct frame used by the India

*Tourism Development Corporation Limited. Government of India or the famous star-circle of a Mercedes Benz car, or **T** in circle which you must have seen on buses and trucks made by Tata Motors Limited. A trade mark is the legalised version of a brand. Brand falls under the category of industrial property rights and, therefore, subject to certain rules and regulations, it can be registered and protected from being used by others. `A brand or a part of a brand that is given legal protection because it is capable of exclusive appropriation' is defined as a trade mark. It is strictly speaking a legal concept, even though brand and trade mark are quite often used synonymously.

*The logo is to be enlarged .

Activity 1

Select about ten brand names of various products and services of your choice and identify their respective brand mark or trade mark.

	Brand Name	Brand /Trade Mark
1.	……	……
2.	……	……

3. …… ……
4. …… ……
5. …… ……
6. …… ……
7. …… ……
8. …… ……
9. …… ……
10. …… ……

6.3 BRANDING DECISIONS

Having an appropriate brand has emerged as the most important activity in the area of marketing of products especially consumer products. Several decisions need to be taken, though not simultaneously, with regard to brand selection and its use. These are:

1) Should the product be branded at all?
2) Who should sponsor the brand?
3) What quality should be built into the brand?
4) Should each product be individually or family branded? Should other products be given the same brand name?
5) Should two or more brands be developed in the same product category?
6) Should the established brand be given a new meaning (repositioning)?

Let us consider each of these issues:

1) Whether to brand a product or not is a decision which can be taken only after considering the nature of the product, the type of outlets envisaged for the product, the perceived advantages of branding and the estimated costs of developing the brand. Historically, it is found that brand development is closely correlated with the increase in the disposable income, the sophistication of the distribution system and the possible increasing size of the national market. The same trend is visible in India now.

Even few years back, nobody could have thought of selling branded rice or refined flour

and Iodized Salt, but several firms in the recent past have become successful even in such product categories. The basic reason is that a class of consumers is willing to pay more for uniform and better quality product represented by the brand. Irrespective of the location and from which retailer they buy, customers are always buying the same product attributes when they buy a branded product. Many other commodities, such as spices are also now being branded. Today, we see strong trend in this direction and this tendency would continue to become stronger in the coming years.

2) The question of sponsorship of a brand refers basically to the decision as to whether it should be a manufacturers' brand, also known as a national brand or a private brand, also known as a middleman's brand. This is a major decision in most developed countries where large chain/departmental stores dominate the retail distribution system. Traditionally, the retail distribution was highly fragmented in India, for example Super Bazars have started marketing a few products which were specially packed and sold under their name. Thus, Super Bazaars, Mother Dairy and National Consumers Cooperative Federation increased their numbers substantially in the last four decades. But today, the retail landscape has revolutionized the markets and market places with innumerable MNC, national, regional and private brands in every product category from safety pin to software products. In the present day, you will find a large chunk of all the above mentioned player/brands names in various product categories have already been established and made a mark for themselves.

3) A very crucial decision is with regard to the quality and other attributes to be built into the product. The matrix of such attributes will decide the product positioning. A marketer has the option to position his product at any segment of the market: top, bottom or the intermediate. Taking one of the classic examples of detergents, Surf is positioned as a premium quality and high priced product. At the other end of the scale, Nirma is positioned as low priced, while products from regional or local are positioned somewhere in between.

4) The marketer also has to decide at the outset whether he would like to adopt a family brand under which all the products of the company would be sold or he would like to

brand each product separately.

Companies like GE or Philips follow the family name strategy, while GM follows the individual brand strategy. In India, L&T and Kissan are examples of the former; however it is to be noted that Kissan brand was taken over by Hindustan Unilever and thus it follows the later strategy similar to all other brands of Hindustan Unilever.

The following are advantages in either approach:

a) Family Brand

i) One basic advantage of using the family brand is that it reduces the costs of product launching and ongoing promotional expenditure substantially. The firm has to promote only one brand which, if successful, would be able to sell the entire product line. Lining up the distribution channel members also becomes comparatively easier. A family brand name has been found to be very cost effective in tyre marketing.

ii) If one product does exceptionally well, it is perfectly possible that there would be positive fall-outs for other products being marketed under the same brand.

iii) It is, however, necessary to be cautious in following this strategy. It will be a very ill-advised strategy if the products being offered are of highly uneven quality. It may not also be a good strategy if the markets are quite dissimilar in terms of consumer profile.

iv) A greater weakness of this strategy is that it does not recognise that each product can be given a specific identity by a suitable brand which can go a long way to make it successful.

b) Individual Brand

i) The weakness, as pointed out above, becomes the principal strength of this strategy. Consumer researches have irrefutably established that a name can have varied associations and conjure diverse images. These psychological factors can immensely influence the buying decisions. Individual brand strategy is in a position to take care of this aspect of marketing.

ii) The second advantage of this strategy is that if there is a product failure, its damaging

effect will be limited to that particular product and will not extend to the entire product line.

iii) The basic disadvantage lies in the economics of developing an individual brand. It is obviously a costlier strategy than the other.

iv) The other disadvantage is that the brand does not directly derive any benefit from the reputation of the firm.

To take care of these problems, some firms follow a slightly modified strategy. This involves using individual brands but also giving prominence to the company name or logo in all promotional campaigns as well as in product packaging. For example, until 1990's **TOMCO (Tata Oil Mills Company)** followed individual brand strategy but displays prominently the words. `A **TATA product**. In many cases a brand extension strategy is adopted. This really is an effort on the part of the manufacturer to secure additional mileage from a particularly successful product for launching either similar or even dissimilar product under the same brand. A recent successful example is the decision to introduce Maggi range of sauces to capitalise on the image of Maggi brand of noodles.

5) A firm may decide several brands of the same product which to some extent are competing inter se. The basic reason is that, at least in the consumer products, various benefits and appeals and even marginal differences between brands can win a large following.

Brand Repositioning

Over the life cycle of a product, several market parameters might undergo a change such as introduction of a competing product, shifts in consumer preferences, identification of new needs, etc. All and each of such changes call for a relook as to whether the original positioning of the product is still optimal or not. Stagnating or declining sales also point to a need for reassessment of the original product positioning. A vast number of FMCG products, consumer durables, automobiles brands etc have repositioned several times in the recent past, and still continue to do so to be relevant and match to the fast changing customer needs and wants and serve different market segments indentified by the firms in a competitive market environment.

Activity 2

i) Prepare a list of five family brands. Carefully analyse their products sold under each of these brands.

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ii) Prepare a list of five companies which use different brands for their respective products. Identify their products.

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iii) Based on (i) and (ii), find out what kind of products have family and individual brands.

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iv) Do you think branding decision in each case is a rational one? If yes, why? If not, why not?

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6.4 BRANDING: ADVANTAGES AND DISADVANTAGES

Branding as an aspect of product marketing can be analysed from two different standpoints: that of buyers and of sellers. It is also possible to have a societal viewpoint.

a) Buyers

The buyers can derive several advantages:

i) A brand generally denotes uniform quality.
ii) It makes shopping easier.
iii) Competition among brands can, over a period of time, lead to quality improvements.
iv) Purchasing a socially visible brand can give psychological satisfaction to the buyer.

There are, however, some negative aspects as well

v) Since brand development costs money, product prices tend to go up.
vi) Taking advantage of the popularity of a brand, a manufacturer may reduce quality gradually.

b) Sellers

A marketer can also derive certain advantages such as:

i) It helps in product identification.
ii) In a highly competitive market, it can carve out a niche for itself through product differentiation.
iii) If brand loyalty can be developed through successful promotion, the firm will be able to exert quasi-monopolistic power.

But to obtain the advantages, it is necessary for the manufacturer to invest resources in promoting the brand name.

c) Societal view

From a macro-standpoint, a brand's role in improving and maintaining product quality can be considered as positive. Brands also help in better dissemination of product knowledge; better knowledge can contribute to more scientific and rational decision making.

There is, however, an opposite view as well. Many critics feel that branding often leads to higher costs and therefore prices. It can also allow the manufacturers to get higher returns than normal through excessive or strong brand loyalty.

Activity 3

Identify a leading brand in respect of the products mentioned below. What image is usually associated with these brands by their users?

	Product	Leading Brand	Associated Image
1.	Tubeless Tyre	……...	……...
2.	Satellite TV	……...	……...
3.	Toothpaste	……...	……...
4.	Led TV	……...	……...
5.	SUV	……...	……...
6.	Ceiling Fan	……...	……...
7.	Washing Machine	……...	……...
8.	Bicycle	……...	……...
9.	Detergent Powder	……...	……...
10.	125cc Motorcycle	……...	……...
11.	Desk Top	……...	……...
12.	Refrigerator	……...	……...
13.	Fruit Juicer	……...	……...
14.	Sun Glasses	……...	……...
15.	Wrist Watch	……...	……...

6.5 SELECTING A BRAND NAME

Finding an appropriate name for a new product is a tricky job, basically for two reasons. Firstly, the name should be one which satisfies several marketing criteria some of which are discussed below. Secondly, the name should not be one which is already being used by another firm. This necessitates extensive investigations.

Marketing Criteria: There is no simple solution to the name selection decision. However, through extensive research and accumulated past experiences, market researchers have developed certain principles which should be followed:

1) A Brand name should reflect directly or indirectly some aspect of the product, viz. benefit, functions, etc. For example, the name `**Fair & Lovely'** immediately connotes that the product has to do something with skin/beauty care.
2) A Brand should be distinctive, especially if the product requires such distinction, e.g., a name like `CHANCELLOR' for a cigarette conjures up ideas of status, power and opulent life style.
3) A Brand name should be easy to pronounce and remember. Examples are BRU, USHA, JAWA, etc.
4) It should be such that it can be legally protected, if necessary.

A firm invests substantial amount of money on a brand. It should, therefore, ensure that nobody else takes advantage of the brand illegally. Though there is no fool-proof system for trademark protection, the steps, as outlined below, can be of substantive help.

1. Use the generic name of the product in association with the trade mark. An example is PEARL PET were PET is the acronym for generic technical product i.e. Polyethylene Terephthalate while PEARL is the brand associated.
2. Designate the brand name as a trade mark by actual notice. If the mark is registered, the proper form of notice is the letter ® enclosed in a circle.
3. Display the mark with some form of special graphic treatment. A trade mark is not a noun; therefore it can be capitalized. If it can be printed in some distinctive logotype, so much the better.
4. Do not use the trade mark in the wrong grammatical form. It should not be used as a noun, verb, in the plural, or in the possessive.
5. The trade mark should not be altered by additions or abbreviations?
6. Use the trade mark for a line of products.

6.6 PACKAGING

Packaging has been variously defined in both technical and marketing literature. One of the most quoted definition is `Packaging is the art, science and technology of preparing goods for transport and sale. This definition brings out two salient aspects of packaging. These are:

a) It has to help in the physical handling, storing and transportation and sale of the products packaged.
b) Packaging as a function consists of two distinct elements, (i) the positive aspects,viz., the science and technology related to package design, selection of packaging materials etc. and (ii) the behavioral aspects, viz., the art of product design which is associated with consumer motivation research, buying research, etc.

The last aspect has been highlighted in another definition of packaging. `Properly designed, the package should enhance the value of its contained product, and impart that impression, either directly or subtly, to the customer'. The role of packaging in value enhancement is increasingly becoming important in not only consumer marketing but across all categories of goods and products.

6.7 PACKAGING INDUSTRY

An understanding of the packaging industry is necessary to fully appreciate the packaging revolution that has occurred in the consumer and industrial goods sectors. The packaging industry consists primarily of two distinct segments, firms which manufacture the packaging materials, viz., tin, paper, plastics, etc. and firms engaged in the formation of packaging, i.e., converting the packaging materials into unit/master packages. In addition there are other firms engaged in the printing of labels to be used in the unit/master packages, and the marketing research agencies which conduct specialised packaging research, generally for package development and adaptation.

Newer materials are constantly emerging in the packaging field and in many cases have eliminated or threatened the older materials, such as wood and steel, because of the relative cost advantage or better performance characteristics. The important packaging materials today are:

a) Metals - Aluminium, Tinplate and steel
b) Plastics - PVC, HDPE, etc.
c) Wood - Wood and cellulose film
d) Paper - Paper, board, corrugated board, etc.
e) Glass - Clear tinted etc.
f) Laminates - Aluminium foils, plastic film etc.
g) Polyester - PET

In line with the diversified packaging materials, the packaging formation has also undergone a revolution. The unit packages of consumer goods consist of a bewildering variety. To appreciate the new introductions that have come into the market during the 90's and revolutionized the packaging function, let us review the exhibits 1 to 4. These exhibits present the copy of the advertisements released by various manufacturers of packaging. Exhibit 1 refers to unbreakable, food grade jars, bottles and containers. Exhibit 2 describes the polyester film. In Exhibit 3, we have focused on lamitubes. Exhibit 4 refers to Kraft paper lined HDPE bags.

Exhibit 1 : Pearl Polymers

Clearly the Safest, Lightest and Strongest Way to Establish Leadership in your Industry.

PEARLPET (R)

JARS, BOTTLES & CONTAINERS

PEARLPET Jars, Bottles, and Containers made from the versatile Polymer – Polyethylene Terephthalate, that has revolutionized the concept of packaging the world over – are now used in INDIA by leading manufacturers such as CAMPA COLA, POSTMAN, SAFFOLA, GINNI, MAZOLA, PAKWAN and soon several more shall be launching their products in PEARLPET containers.

PEARLPET can be used for packaging almost anything from liquors, beers, pharmaceuticals, cosmetics to carbonated beverages edible oils, and sherbats – it's unending list ! PEARLPET is UNBREAKABLE, weights only $1/15^{th}$ the weight of glass, has EXCELLENT GAS BARRIER properties and is MOST HYGIENIC for packing edible products. AS CLEAR AS GLASS PEARLPET can be MOULDED INTO ANY SHAPE, SIZE and COLOUR TINT to

suit specific product requirements. All these unique properties of PEARLPET result in TREMENDOUS COST SAVING. Their use results in reduced packaging, handling and transportation costs and prevents loss due to breakage. And, the ENHANCED visual appeal of the product packed in PEARLPET JARS, BOTTLES, AND CONTAINERS leads to HIGHER SALES. PET has been internationally approved and complies with the Food and Drug Administration Regulations in most parts of the world. THE INDIAN STANDARDS INSTITUTION vide their Specification No. IS: 10171 (1982) include PET as a safe material for contact with food. PEARLPET bottles have been tested at the Central Food Technological Research Institute, Mysore and found suitable for packaging of foodstuff.

For detailed specifications of PEARLPET Products, please write to:

Exhibit 2 : Polyplex

A material change ….. towards better living.

Invest today in the products of tomorrow. That's the Polyplex philosophy. And it makes good business sense. Take Tensilised Polyester Film. It has any astonishing range of attributes and applications. Yet is produced in only 5 countries …… by just 10 companies worldwide. Now this new wonder material will soon be manufactured for the first time in India – by Polyplex.

A many – splendoured pioneering venture. Providing the material for change to better products. Stimulating industry and employment saving foreign exchange. Transforming the very substance of a host of items that are part of daily living.

Yes, Polyplex is proud of its project. And sure of its prospects!

Exhibit 3 : Essel

WHICH COMPANY RECENTLY GAVE A FACE LIFT TO HINDUSTAN LEVER'S COSMETICS EXPORTS?

ESSEL OF COURSE!

ESSEL offers fourth generation tube packaging innovations to India. And Fair & Lovely, the face cream you're familiar with is using ESSEL PACKAGING'S special LAMITUBE for the export market.

ESSEL'S LAMITUBES are made from high grade polymers, aluminium foil paper. 100% squeezability, facility for superb reproduction of print for both tonal designs and colour photographs. Superior collapsibility, complete protection against moisture, gas etc. No crinkling or cracking problems. No metal dust or black oxide particles in the tube.

To wrap it up, simply the latest and the finest packaging technology available in the world.

ESSEL'S LAMITUBE is packing in success stories for the food, toiletry, dentifrice, pharmaceutical and many other industries. After all, ESSEL'S technology come from American National Can Co., U.S.A. and KMK, Switzerland. WHEN CAN WE DESIGN A LAMITUBE for your packaging requirements?

Exhibit 4 : Kanpur Plastipack

TODAY,
WHAT CEMENT NEEDS
IS NEW IMPROVED
PACKAGING
(And you, the user need good value for money)

INTRODUCING THE LATEST IN CEMENT PACKAGING

Kraft paper lined HDPE bags – the best thing to have happened to the cement industry in decades. Based on international technology, the benefits of this packaging are so many they become difficult to count on your fingertips.

So we would rather recount a few obvious ones on a comparative chart.

KRAFT PAPER LINED HDPE BAGS	CONVENTIONAL PACKAGING MATERIAL
1. Moistured proof. Therefore there's no caking of cement and shelf life increased tremendously.	1. Caking of cement takes place on exposure to moisture which means creating special storage facilities. And anyway storage life is limited.

2. There is no loss in cement strength, at all. 3. No seepage whatsoever you get as much as you buy. 4. Pilfer proof. You get the original as intended. 5. Bright multicolour printing available. 6. Transportation in open wagons is a possibility, as there is no damage through exposure to natural elements.	2. Cement loses its strength after a while. 3. Some seepage invariably leading to losses in weight and money. 4. Tampering is a possibility to pilferage becomes easy. 5. Printing not legible after cement is packed. 6. Transportation only in covered wagons. (remember wagon scarcity!)

That leaves little to imagination and even less to choice. It makes so much more sense calculating long term benefits by saving on cement loss and money.

And besides, Kraft paper lined HDPE bags is the packaging material of today not yesterday's world.

Think about it.

The master cartons in which the unit packages are packed are, however, getting increasingly standardised, especially due to the necessity of using containers in order to facilitate physical handling and shipment as well as to reduce packing costs and loss/damage to the goods during transit.

NOTE: ***The above exhibits 1-4 clearly reflect that the packaging revolution in India, which can be traced back to 1990's and is still going strong by way of research with new discoveries and inventions in packing material keeping in line with the requirement of new innovative products/categories that are being developed on a continuous basis both for domestic and export markets.***

6.8 FUNCTIONS OF PACKAGING

Packaging should perform the following basic functions: it should (a) protect (b) appeal (c) perform (d) offer convenience to the end-users and (e) be cost- effective.

Protection

Of the five functions, this is the one which is the oldest and most basic. The primary function is to protect the products from the environmental and physical hazards to which the product can be exposed to, in transit from the manufacturer's plant to the retailer's shelves and while on display on the shelves.

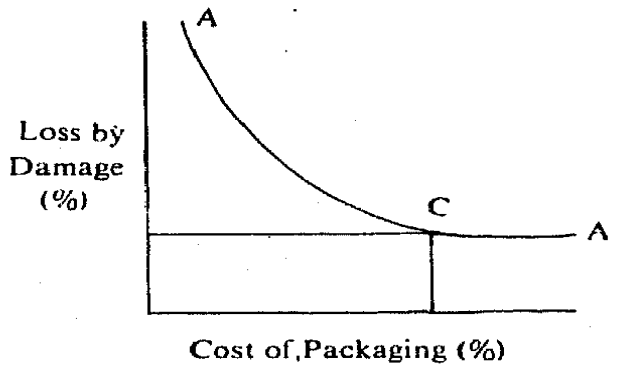
The specific types of hazards against which protection has to be sought would obviously vary from product to product. It is however possible to identify the principal hazards which are almost universal. These are:

a) Breakage/damage due to rough mechanical or manual handling during transportation,
b) Extremes of climatic conditions which can lead to melting, freezing,
c) Contamination, either bacterial or non-bacterial, such as by dirt or chemical elements,
d) Absorption of moisture or odours of foreign elements,
e) Loss of liquid or vapour,
f) Pilferage during transit or storage

Packaging Cost versus Damage to the Goods

While it may be technically feasible to identify the total risk profile of a product with regard to its physical and distributional parameters, it will not be necessary or economically desirable to develop and adopt a zero-risk package. After a certain stage, the reduction in the probability of loss due to the damages to the goods will not be commensurate with the increase in the packaging costs. Necessarily, firms are willing to accept a certain amount of risk arising out of possible damage to the goods rather than going for a fool-proof packing. The firm has to take a managerial decision as to the level of risks that it is willing to trade-off against the increase in packing costs: The relationship between the packaging costs and loss due to product damages is shown in Figure 1

Figure I: Trade-off between Damage and Packaging Costs



The vertical axis measures the loss sustained due to physical damage to the goods because of insufficiency of packaging, expressed as a percentage of the total value of the consignment while the horizontal axis measures packaging cost as a percentage of production cost.

The curve AA which depicts the bilateral relationship clearly indicates that there an inverse relationship between the two variables. More significantly, there appears to be a point, C in the above figure, to the right of which further increases in packaging costs are not proportionately reflected in the loss reduction. It may be desirable to stop at that point. However, several other factors, apart from this marginal cost-loss reduction relationship, need be considered, while taking a final decision, e.g., the effect on consumer goodwill, availability of alternative packaging or materials which ensures higher protection at the same level of costs, etc.

Appeal

The package is increasingly being used as a marketing tool, especially in certain types of consumer products such as perfumes or several other gift articles etc. The importance is also substantially due to the changed structure of retail business, especially the emergence of self-service stores.

In the case of consumer products, package serves as a silent salesman. This is true irrespective of whether the product is a luxury, semi-luxury or an ordinary everyday product. The following characteristics have been identified to help a package perform the self-selling tasks:

a) The package must attract attention.
b) The package must tell the product story.
c) The package must build confidence.
d) The package must look clean and hygienic.
e) The package must be convenient to handle, to carry out, to store and to use.
f) The package must reflect good value.

Packaging, however, is of greater importance in the case of certain specific types of articles. Industry-wise studies in several countries show that packaging costs in the cosmetics industry far outrun other industries. This excessively high incidence is not due to the packaging which is required for the protective function, but for making the product attractive, a status symbol and

ego-satisfying. Other products such as chocolates in gift packs also are instances where packaging performs a basic marketing function by making the products more appealing.

Consumer research on packaging has basically concentrated on two aspects which are presumed to have an influence on consumer purchase decisions. The first one is colour and the second is the package or container design. Almost all researchers have come to the conclusion that each colour has its own distinct characteristics and, therefore, have to be used in a package so that there is no mismatch between what is expected of the package and the colour used in the packaging.

One additional problem in this area is that nationals in different countries display divergent colour preferences, due to their diverse socio-cultural-religious backgrounds. Similarly, research has been carried out on the desirable properties of a container. Slender, cute containers are often used for beauty-care products for the feminine sex, as these are expected to create an appropriate image of the product. Graphics and Logotypes are also important in designing and conveying the total product image.

Packaging and Sales Promotion

Product package often plays an important role in implementing sales promotion campaigns. Promotion is defined as a short-term special measure to boost sales of a specific product. There are several accepted promotional packaging techniques. Some of these are:

a) **Money-off Pack:** A `flash' in distinctive color is superimposed on the package, announcing the special price discount being offered. This is the most widely used form.

b) **Coupon-pack:** A coupon, either as a part of the package or placed separately in the package, of a certain value can be redeemed after the purchase of the product.

c) **Pack-in-Premium:** A premium, i.e., the gift is packed within the original product package, viz., a handkerchief in a cosmetic product package.

d) **Premium-package:** A specially made package having either a re-use or prestige value. Instant coffee packed in glass tumblers having closures is an example of the first type.

Another classic example was a set of audio cassettes of Tagore songs released by the Gramophone Company of India in 1986 which is presented in a specially designed wooden box is an example of the second type.

e) **Self-liquidator:** The buyer has to send a number of packages or part thereof as evidence of buying the product to the company. In return, he may purchase additional quantity of the same product at reduced prices or be rewarded with a different product. Several companies in India, in the processed foods and beverages industry, occasionally use this technique.

f) **Other Applications of Packaging as a Marketing Tool:** There are several other innovative ways in which packaging can be used for achieving higher sales. In the area of processed foods, the shelf-life of the product is an important consideration. Any firm which can guarantee a higher shelf-life would be one-up on its competitors. A new Indian Company, Tasty Bite Eatables which is in the area of frozen and pre- cooked foods, identifies the 18th month's shelf-life of its products as the major strength. The increased shelf-life is to a large extent due to better packaging.

Introduction of a new package can also be used as a promotional technique. Traditionally, edible oils were packed in tin cans in India which looked messy and dirty. Most of the larger firms have now started using transparent one litre PET (polyethylene terephthalate) bottles which look gleaming and fresh. The companies are using this change of packaging quite effectively as an additional element in their advertising campaigns. About two decades back, **'Panama'** cigarettes were introduced in a soft packet of twenty for the first time in India. The instant popularity of the brand was substantially due to this novelty.

Packaging can also be used ingenuously to avoid direct price comparison with the competing products. This is done by a deliberate choice of odd size, while the competing brands follow a standard size. A recent example in India is the case of **Maggi Ketchup** which was introduced in the market in 400 grams bottle, while the industry-wise standard size is 500 grams bottle.

Performance

This is the third function of a package. It must be able to perform the task for which it is designed. This aspect becomes crucial in certain types of packaging. For example, an aerosol spray is not only a package but also an engineering device. If the package does not function, the product itself becomes totally useless.

Convenience

The package must be designed in a way which is convenient to use. The important point to be appreciated, however, is that it should be convenient not only to the end-users but also to the distribution channel members, such as wholesalers and retailers. From their standpoint, the convenience will relate to handling and stocking of packages. The specific attributes they would seek in a package in this context are:

a) the package must be convenient to stock,
b) the package must be convenient to display,
c) the package does not waste shelf-space,
d) the package retains its looks during the shelf-life,
e) the master packages/cartons are easy to dispose of.

Because of the increasing concern with solid-waste disposal, the last factor has assumed importance in the developed countries, though India has not yet reached this stage. This, however, becomes a matter of importance while deciding on the transport packaging for export markets.

From the standpoint of the domestic or institutional end-users, the convenience would refer to the ease of using the package, such as opening and closure of the package, then repetitive use value, disposability, etc.

Cost –effectiveness

The package finally must be cost-effective. Packaging cost as a percentage of product cost varies dramatically from one industry to another, from less than one per cent in engineering industry to more than 10 per cent in the cosmetics industry. It is important to appreciate that while analyzing

packaging costs, it is not enough to consider only the costs of package. This is only one, though the most important element of the total costs associated with packaging. Cost in this chain consists of:

i) Package costs incurred in inward delivery to the factory when the product is purchased from outside.
ii) Storage and handling costs of the empty packages.
iii) Filling costs, including quality control and handling of filled packages.
iv) Storage costs or the filled packages.
v) Transport cost for distributing filled packages.
vi) Insurance cost for the transit period.
vii) Losses due to breakage/spoilage/spillage of the product.

Activity 4

1. Many new types of packaging have been introduced in recent times in case of edible oil, fruit juices, coffee powder, milk additives, shampoo, ready to cook food, and squeeze tubes used in variety of products etc. Given below is a list of these products along with their old and new types of packaging. Evaluate both the old and new forms of packaging on the basis of their functions of providing protection, product appearance and convenience.

Product / Packaging

1 a) Edible oil in tin
b) Edible oil in HDPE polyjar
c) Edible oil in transparent PET bottle

……
……
……

2 a) Platinum Poly Pack Wrapper for Bathing Soap
b) Bottle packing for liquid soap

……

……

……

3 a) Fruit juice in bottle

b) Fruit juice in pet bottle

c) Fruit juice in tetrapack (e.g. frooti)

……

……

……

4 a) Coffee in tin

b) Coffee in glass jar

c) Coffee in metalised foil pouch

……

……

……..

5 a) Shampoo in glass bottle

b) Shampoo in plastic bottle

c) Shampoo in Sachet

……

……

……

2 In case of each of the above product categories (on the basis of your evaluation of each functional attribute) which is the best packaging form which you would recommend to the manufacturer of these products?

……

……

……

Check from the member of the family who makes purchases for these products and his/her most preferred types of packaging. Find out the reasons for differences in your recommended choice and his/her choice.

……

……

……

3 ITC introduced one kilogram small size packaging of Aashirwad select Atta and backed it with advertising. Despite ITC's market strength its small pack did not perform as expected in the market.

a) Find out the differences between the existing and the new packing.
b) Do you think the specific attributes of the new package were in any way responsible for the failure of this small pack? If yes, identify the specific package attributes which contributed to the failure.

……

……

……

6.9 LEGAL DIMENSIONS OF PACKAGING

While managing the packaging function, constant attention needs to be given to the various regulations that the government has laid down in this respect from time to time. Government regulations are many and encompass areas such as the use of a specific packaging material for certain products, consumer protection, transportation of hazardous cargo, etc. The most pervasive among these is the regulation relating to the information a manufacturer is obliged to provide in the package itself on the product. This is commonly known as labeling requirement and covers a host of commodities. Principal among these are food products, cosmetics,

pharmaceuticals, etc. Label is defined as a display of written, printed or graphic matter on the container or the package of the container.

A label need not be only a fulfillment of legal requirement. In fact, properly conceived, a good label can be an important sales instrument.

Since a label is the nearest source of information on a product, a buyer who otherwise may be ignorant of the product or loyal to a different brand, can be persuaded to read the label, and may in fact try the product, even if he had no such premeditation. This is especially true of purchase made in super markets, departmental stores and modern retail stores/formats.

A good label is one which helps a potential buyer to make his decision by providing relevant and correct information. Apart from the information which must be statutorily given, the label should therefore provide:

i) Picture of the product, accurate as to size, colour and appearance.
ii) Description of raw products used along with methods of processing.
iii) Directions for use, including cautions against misuse.
iv) Possible adverse effects, if any.
v) Brand name

Statutory requirements relate generally to:

i) Net weight, when packed.
ii) Date of manufacture.
iii) Date of expiry.
iv) Maximum retail price including or excluding local taxes.
v) Directions for use, including dosage requirements.
vi) Directions for storage.

6.10 SUMMARY

Branding is one of the most important areas of marketing especially with reference to consumer products. The name gives the product its unique personality, and is so well associated with the product that the brand name sometimes even takes the place of the generic product name Surf

and Bata are two classic examples where the brand names connote the generic product category, i.e. detergent and footwear respectively.

The selection of brand name is an important decision. You can choose any brand name you like as long as it is unique, easy to read, write and pronounce and remember, and does not have any unfavourable or negative meanings associated with it. You may choose a common family brand name for all your products or give each product its own distinctive brand. Each choice has its advantages and disadvantages and there are enough cases of success and failure to justify your choice. Sometimes even the most difficult sounding brand names succeed (e.g. Vicco Vajradanti) while catchy and simple brand names fail.

Packaging is another crucial aspect of marketing which plays an important role in determining the success of a product. Marketing decisions such as those related to pricing, distribution are not so obviously critical from the customer's viewpoint simply because he is not so aware of them, but the implications of your packaging decision are obvious since the customer confronts it face-to-face. There are so many instances of good products having failed because of poor packaging.

A good package must protect the contents stored inside it, be attractive to the customer, be convenient to handle, store and use and perform the functions required of it. The Indian market is today flooded with exciting new types of packaging materials which have replaced the traditional packages. These new packaging materials have made it possible to market products such as potato, wafers, snacks, and other fragile food items.

If you are manufacturing or marketing drugs, insecticides and pesticides and hazardous chemicals, your package must fulfill all the conditions specified by the government. The other legal requirement is regarding labeling wherein you are required to provide complete and accurate information about the product contents, its usage, possible side effects, and date of manufacture and expiry.

6.11 KEY WORDS

Brand name: A word, letter or a group of words or letters representing a product or service of the company.

Branding: Use of a name, term, symbol and/or design to identify a product.

Family brand: A brand name which is used for several products belonging to the same company.

Trade mark: Only those words, symbols or marks that are legally registered by a company which has the exclusive right to their use.

6.12 SELF – ASSESSMENT TEST

1) Identify the basic factors that prompt a company to brand its products. Select any well-advertised brand of your choice and define the personality of that brand.
2) What are the brands strategy options open to a firm? Discuss their relative strengths and weaknesses.
3) Select a branded consumer product of your choice. Analyse in detail the factors that have contributed to its success.
4) Do you consider branding to be of identical importance in marketing (a) industrial products, (b) consumer products, and (c) agricultural products? Give supportive arguments.
5) Sometimes even a well-established company tries to promote only the individual brand and keep its own name as inconspicuous as possible. Can you explain this strategy?
6) One marketing expert strongly urged every manufacturer to adopt a `nonsense word' as the brand. What can be the reason for this recommendation?

6.13 FURTHER READINGS

Kotler, Philip, 2008, *Marketing Management* Prentice-Hall of India Limited: New Delhi.

S.Rarnesh Kumar, *Managing Indian Brands:- Marketing,* Concept and Strategies Vikas Publications-New Delhi

Unit – 7 PRODUCT LIFE CYCLES AND NEW PRODUCT DEVELOPMENT

Objectives

The objectives of this Unit are to explain the:

- concept of product life cycle
- stages in the product life cycle, and the different types of marketing mix required at each stage
- need for product modifications
- need for new product development strategy
- stages in new product development process from the stage of idea generation to launching the new product into the market.

Structure

7.1 Introduction
7.2 The Product Life Cycle Concept
7.3 Marketing Mix at Different Stages
7.4 Options in Decline Stage
7.5 New Product Development Strategy
7.6 Summary
7.7 Key Words
7.8 Self-Assessment Test
7.9 Further Readings

7.1. INTRODUCTIONS

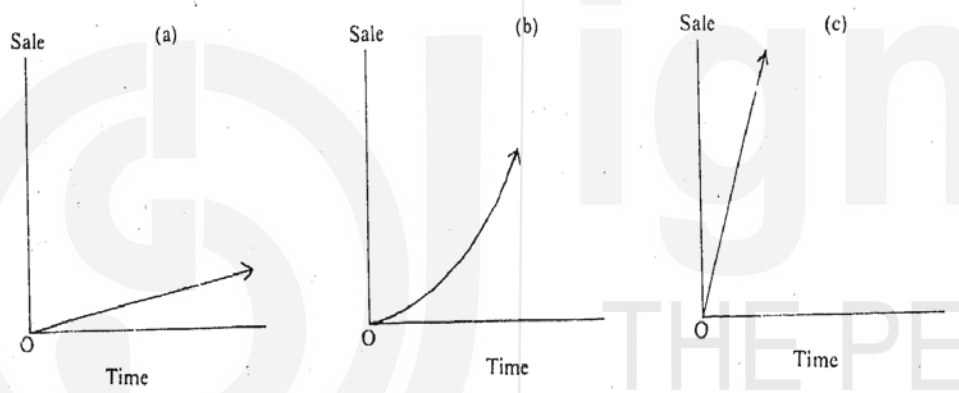
Most products have limited profitable life. This Unit will give you a complete picture of what happens from the time a new product is introduced till it declines, and will show you how the decline can, to a certain extent, be postponed or extended. Product development involves careful planning and implementation. Sometimes organizations revive declining products by modification or else they follow several steps ranging from identification of market opportunity

to launching of new products to replace the declining products. The greater is the competitiveness of market, the greater is the need for product development.

7.2 THE PRODUCT LIFE CYCLE CONCEPT

A company which introduces a new product naturally hopes that the product will contribute to the profits and provide consumer satisfaction for a long period of time. This however, does not always happen in practice. So, progressive organizations try to remain aware of what is happening throughout the life of the product in terms of the sales and the resultant profits.

Figure I: Sales Trend – Introductory Stage



The Introduction Stage

Let us start thinking from the very beginning about what happens when a new product is introduced in the market.

Figure I give three optimistic alternatives as to the likely sales trend. If the product is well – designed, the sales would not increase slowly but would shoot up after some time as in (b). Rarely would there be a case where they would shoot up as in (c). Poorly designed product may experience a slow take off as shown in (a). Thus (b) represents a suitable sales trend for a new product. This stage is called the 'introduction' or 'innovation' stage in the life cycle of a product.

Since the product has been just introduced and it is natural to expect that it will take some time before the sales pick up. There are some prerequisites for that too. The product must be brought to the notice of the customer. It must be available at the distribution/retail outlets and all this

takes some time. Therefore, a likely picture of the sales trend in this stage would be (b) as given in Figure I.

Activity I

In the introduction stage of a product what is likely to be the profit trend? Tick below what you think would be the profit picture at this stage:

i) Profits will rise rapidly [ ]

ii) Profits will rise gradually [ ]

iii) There will be a loss in the beginning [ ]

iv) There will be a loss throughout. [ ]

In the introductory stage, there is likely to be no profits or more likely a loss. This loss may continue for some time depending on the market factors. Thus, the correct answer could have been either (iii) or (iv). It is because at this stage, considerable amount of funds are being devoted to promotional expenses with a view to generate sales while the volume of the sales is low (as already seen in the Figure I). Thus in the beginning, there is likely to be a loss and later on, as the sales grow the profit might accrue.

The Growth Stage

In case the product launched is successful, the sales must start picking up or rise more rapidly. The next stage is then reached which is known as the 'growth stage'. Here the sales would climb up fast and profit picture will also improve considerably. This is because the cost of distribution and promotion is now spread over a larger volume of sales. As the volume of production is increased, the manufacturing cost per unit tends to decline. Thus, from the point of view of product strategy, this is a very critical stage.

The Maturity Stage

It is too optimistic to think that sales will keep shooting up. At this stage, it is more likely that the competitors become more active. In case your product is a novel one, by now competition would have come out with a similar product in the market to compete with yours. Therefore, the sales

are likely to be pushed downwards by the competitors while your promotional efforts would have to be increased to try and sustain the sales. Thus the sales reach a plateau. This is called the 'maturity stage' or 'saturation'. At this point it is difficult to push sales up. With regard to the 'profit' picture, the profits are likely to stabilize or start declining as more promotional effort has to be made now in order to meet competition. Unless of course, you have the largest market share with your product and it needs no extra push in the market.

The Decline or Obsolescence Stage

Thereafter the sales are likely to decline and the product could reach the `obsolescence' stage. Steps should be taken to prevent this obsolescence and avoid the decline. This decline that generally follows could be due to several reasons such as consumer tastes and preferences, improvement in technology and introduction of better substitutes. This is the stage where the profits drop rapidly and ultimately the last stage emerges. Retaining such a profit after this stage may be risky, and certainly not profitable to the organisation.

Figure II shows the `product life cycle' and the different stages.

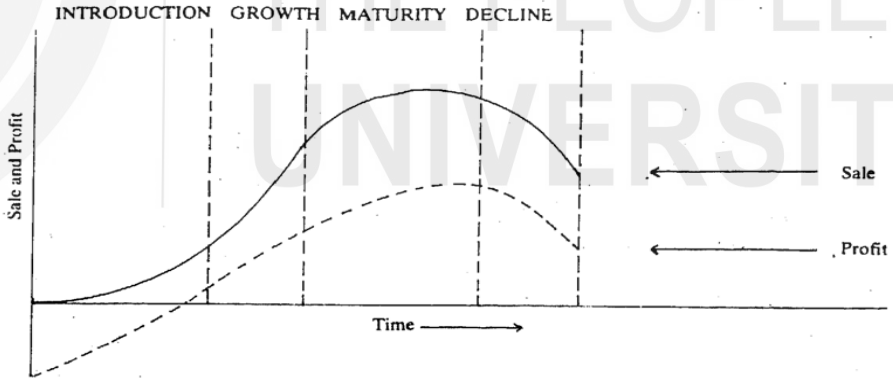


Figure II: The Product Life Cycle

Activity 2

Identify at what stages of their respective Product life cycle is the following products in Indian market context.

Product		Stage
1)	Premium Smart Phone	…….
2)	Electric Bike	…….
3)	Desk Top	…….
4)	Photographic Camera	…….
5)	Ready to cook food	…….

7.3 MARKETING MIX AT DIFFERENT STAGES OF PRODUCT LIFE CYCLE

Let us now discuss the 4Ps of marketing strategy in relation to these different stages. Before we do that, we would like you to apply your mind and give suggestions about what should be emphasised in connection with the 4 Ps at different stages.

Activity 3

Please answer in the following format what will happen in terms of the mix for these stages by putting a relevant check-mark in the appropriate place.

Marketing Mix at different stages

	Increase	Reduce	Improve	Any other, please specify
1) Introduction Stage				
a) Pricing	( )	( )	( )	( )
b) Physical Distribution	( )	( )	( )	( )
c) Promotion	( )	( )	( )	( )
d) Product	( )	( )	( )	( )
2) Growth Stage				
a) Pricing	( )	( )	( )	( )
b) Physical Distribution	( )	( )	( )	( )
c) Promotion				
d) Product				
3) Maturity or Saturation Stage				
a) Pricing	( )	( )	( )	( )
b) Physical Distribution	( )	( )	( )	( )
c) Promotion	( )	( )	( )	( )

d) Product	( )	( )	( )	( )

4) Decline or Obsolescence Stage

a) Pricing	( )	( )	( )	( )
b) Physical Distribution	( )	( )	( )	( )
c) Promotion	( )	( )	( )	( )
d) Product	( )	( )	( )	( )

Let us discuss the marketing mix strategies at different stages in the product life cycle

At the **introductory stage,** we have to increase and thus spend a lot on physical distribution and promotion. This is because we have to create, an awareness and acceptance of our product. We must also increase its availability. Very often in India, it is noticed that a product is advertised but is not available at the distribution/retail outlets. This is a waste of promotional expenses. We must make optimum use of the available resources of the organisation. Thus distribution should be arranged before the product is launched.

In any case, in these two areas substantial amounts would have to be spent. We have to also counter the reluctance of customers to change their established patterns and make them purchase our product, particularly if it is of a novel and a new product. As against this, if it is a novel one, people may even buy it out of sheer `curiosity'.

Next in the **growth stage** when the sales shoot up and we are satisfied with the profit generated by the product, competitors will now enter the market and perhaps offer new product features. Therefore, we may have to think of improving our product so that we do not reach the ultimate `decline' stage too quickly. The promotional expenditure is maintained at the same level or is raised slightly in order to meet competition.

We now come to the next stage called the **maturity stage.** This stage generally lasts longer than the other stages and poses problems for the management in maintaining the sales level. Actually, there is a slowdown in the growth rate of the sales in case of such matured products. The decline can be arrested by improvements in the product and promotion. We should, however, at this time

seriously think in terms of a new product, mix, that is, the elimination or redesign of the current product within the near future.

Finally, the **decline stage** catches up. The decline may be slow or rapid. It may be due to better substitute products, better competition, technological advances with which we have not kept up and several other reasons. Such a product now proves expensive for the organisation. One must, therefore, be willing to consider the elimination of such marginal or unprofitable products. Eventually, the last weapon is to reduce the price. This is dangerous because this is time when extra promotional effort is required to be put in to prop up the product's sales. Reducing the price may soon land the company in a loss situation.

7.4 POSSIBLE ALTERNATIVES IN DECLINE STAGE

Having considered the product life cycle and the inevitability of product decline, the question which comes to one's mind is what should be done to avoid or postpone this decline.

Consider some of the following points to avoid decline,

1). improve product quality
2). add new product features resulting in extra benefits
3). penetrate new market segments
4). give incentives to distribution channels
5). expand the number of your distribution channels
6). Improve advertising and sales effort

Perhaps, the answer lies in the word `innovation'. That is why it is sometimes said that innovation is the life-blood of marketing. Innovation can be in any of the 4 Ps of marketing. In connection with the product, it would mean quality improvement or improvement in features (e.g. automatic passenger car models) or even style improvements like in case of clothes where collars are changed from time to time because of the fashion life cycle. Ultimately a time may come when the product will have to be removed from the product mix.

In practice, there is often a reluctance to do this, particularly from the senior members in the management hierarchy, who may have got very much attached to such products. This emotional approach has to be avoided while taking final decision.

The product life cycle concept, therefore, emphasises that there should be a periodical review of the products. The profitability and financial viability of the product must be assessed constantly. Products which are difficult to sell affect even the morale of the salesmen, as well as the distribution outlets. The only excuse for retaining such products is when the unprofitable product is required to complete the product line to enable distributors to meet competition. Unless there is some strong reason, unprofitable products should be removed from the product mix of the organisation.

Now let us consider the time period of this product life cycle. In case of some products, it is extremely short, whereas in others, it is very long. In case of fads, the life cycle is very brief. For example, in India the hula hoop'(is twirled around the waist, limbs or neck. They have been used by children and adults. The new plastic version was popularized in 1958 by the Wham-O toy company and became a fad) completed the cycle within a few months. As against this, the horse carriage is still running in cities like Mumbai, Kolkatta, and Mysore and in smaller cities of Bihar, U.P etc to a small extent, despite its being substituted with more sophisticated and better means of transportation.

Activity 4

Identify at least two products in each stage of product life cycle in the current Indian Market.

i) Introductory Stage.

…… ……

ii) Growth Stage:

…… ……

iii) Maturity Stage:

…… ……

iv) Decline Stage:

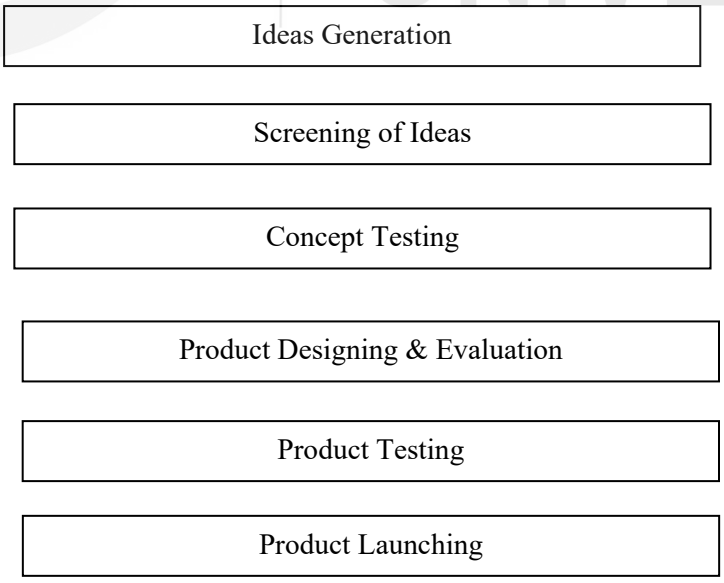
…… ……

7.5 NEW PRODUCT DEVELOPMENT STRATEGY

As you must have realised by now, it is very important to have a strategy for developing new products. Many products fail and in order to keep expanding company sales, we must have new products. Some products of the then Hindustan Lever Ltd have failed but still they remain leading manufacturers because they have been innovating continuously and added to their lines and added product lines to their product mix.

Let us reassess a classic example of the sixties when Hindustan Lever Ltd had introduced 'HIMA' peas which flopped, because, in the words of then Chairman of Hindustan Lever, 'India is not yet ready for convenience foods, neatly done up in packages.' On the contrary if the same 'HIMA' peas were to be introduced a decade back by the company (now Hindustan Unilever Ltd) then it would have been the most successful and well accepted product offering by the market. The reason for its success can be primarily being attributed for the fact that the changing consumer needs and wants, their awareness of convenience foods and its benefits are in place today, but not during the sixties for its acceptance. Therefore any product 'concept' requires testing before one goes into product designing and it is very necessary to have an adequate strategy for developing new products and introducing them. Several stages must be well defined. Figure III gives the stages in new product development. These will now be discussed in detail.

Figure III: Stages in New Product Development



Generation of New Product Ideas

The first step obviously is to get ideas with regard to possible new products. Can you think of the sources from which you can get such product ideas? Your answer should have been: Customers, Company Salesmen, Competitors, Company Executives, and Employees within the organisation including technical people.

As marketing is aimed at satisfaction of consumer needs, an alert marketer can get some ideas from the customers for possible new products by keeping his eyes and ear open and more particularly the mind to perceive even needs which are so far unexpressed. For example, in case of refrigerators, someone conceived the idea of having a `two-door' refrigerator; another conceived the idea of the ball point which obviated the need for constantly filling fountain pens. Thus, new ideas can come from customer needs or problems requiring solution.

Company salesmen are a an excellent source for new idea generation. This is because they are in constant touch with the market, that is, both consumers and competitors. Watching competitors and what they introduce can also be useful for new ideas. Finally company executives and even the lower staff can be brought in for discussions.

The Interesting method here is what is known as **brain storming.** This is basically done to have a flow of ideas-good and bad. A number of people, say executives of the organisation, are called together and asked a question for new ideas or ideas for new products. They are asked to mention it without evaluation. None is criticised. The answers are recorded on a tape recorder (in earlier days) however today; you have a good number of gadgets to take care of all the recordings audio visually for an uninterrupted flow. Thereafter, the answers generated are evaluated as will be explained in the next stage.

Evaluation or Screening of the Ideas

So far, from the first stage, we have received a number of ideas-good and bad. We have now to screen and evaluate them to reduce their number to what is likely to be useful. This is known as the `evaluation' or `screening' of ideas stage in this process. Poor ideas must be dropped immediately because unnecessary cost has to be incurred to process them further. The ideas must

be consistent with the company's philosophy; objectives and strategies and be in terms of the resources available in the organisation. In general the ideas are screened in terms of

1. Possible Profitability
2. Good Market Potential (Market size)
3. Availability of Production Facility
4. Availability of Raw Materials for such a product, if selected
5. Availability of Finance
6. Availability of Managerial Ability
7. Uniqueness of Product

Product Concept Development and Evaluation

Particularly when the product idea is rather revolutionary, the concept itself must be tested. For example, people talk about `battery driven cars' to save on petrol. This is a concept which has to be tested in the environment in which the product is sought to be introduced. As already indicated, Hindustan Unilever failed with their Hima peas and Fast Food in the sixties.. This was a failure of concept testing. The mention of the failure of Hindustan Unilever Lever is not to run down the performance of this excellent company but to emphasise that good companies introduce a number of products some of which may fail

The introduction by Parle's the **'Big Bite'** (the hamburger) did fail in some of the regions in Indian market. Was this due to wrong concept? The answer is probably in the negative. The failure was because the customer got `soggy' hamburgers at the retail end. Thus there was lack of 'quality control' at the level of the retail outlets which did not supply freshly cooked hamburgers. So you can see that even if the concept is accepted, a failure can take place in other areas resulting in the ultimate failure of the product itself. This did not deter the company from going further. Parle's introduced **Frooti** and **Appy** which are fruit based soft beverages. These are offered in tetra pack. Thus there is an innovation. The question of whether tetra packs, as packaging material, will succeed in India or not is a question during their introduction in the late eighties. On the contrary theses soft beverages so offered in tetra packs were an instant success and there was no looking back using tetra packs even today, in the 21st century not just by Parle's but also by other manufacturers offering a variety and highly diversified products/categories.

Product Designing and Evaluation

If the product idea or the concept passes the test, we then proceed to the engineering or the production or the R&D stage. So far what we had was only a description or an idea. Now this has to be converted into a product. Prototypes are developed and tested. The test can be done under laboratory or field conditions. At this stage of product development, the technical problems, if any, must be solved. This is because the product must not suffer from complaints regarding quality in use. Even a small defect might shorten the life cycle of the product as well as spoil the company's image.

Product Testing Stage

Apart from mechanical/technical performance, customer acceptance is essential. In fact, the following can be stated as **requirements for the new product,** after it is designed:

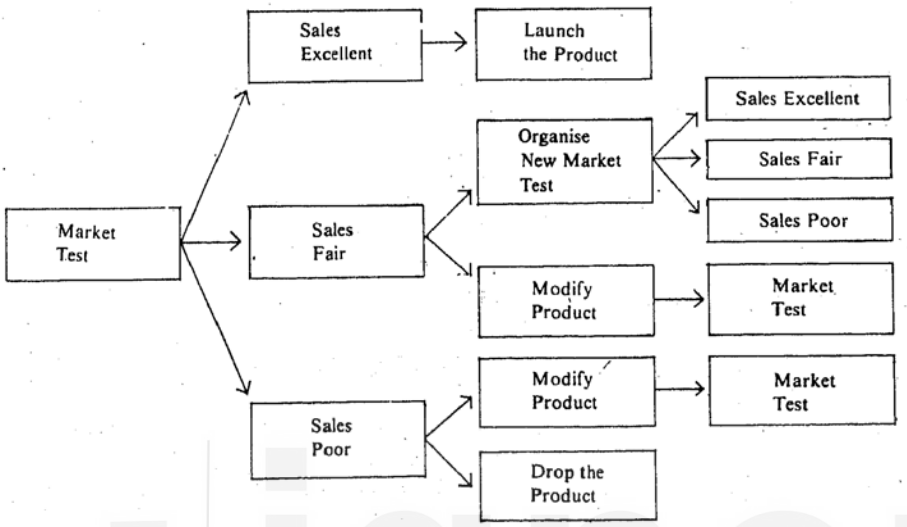
1. satisfactory performance
2. customer acceptance
3. economical production
4. adequate distribution
5. adequate servicing arrangements where required, and
6. effective packaging and branding.
7. affordable pricing i.e. value for money

A market test should, therefore, be conducted before launching the new product. This will help us find out whether the product can be launched successfully on a commercial scale or not.

Launching the New Product

The test marketing may show up something as depicted in Figure IV

Figure IV: Market Test Decision Tree Alternative Decisions



It may show that the sales are `excellent', in which case, our decision is easy and we can proceed to launch the product. As against this, if it shows that the sales are `poor', there are generally two alternatives available from a practical viewpoint. We can drop the product or modify it and test it again. If the sales are `fair', we may modify the product or conduct a new market test. The latter is done when we feel that perhaps there is something wrong with the market test just completed.

An alternative, generally available, is to modify the product in terms of the feedback which has been received from the market test, and then test again before the final decision is taken to launch the product commercially or to drop it. One must, however, remember that constant testing involves further costs. A decision must, therefore, be arrived at as early as practicable.

Hence we can say that the introduction of a new product is not an easy decision. It has to be weighed very carefully in terms of possible markets, the costs involved and the potential profits.

The question of **timing,** sometimes, is also relevant. Should the company be the first one to offer a new `novel' product in the market? In case of small companies, if they do so, they are at a distinct advantage. However, large companies can afford to wait. For example, Philips entered the Stereo Hi-Fi system market relatively later. However, they were able to introduce an

attractively priced product, and quickly gained product acceptance because of their long-standing reputation in the market.

7.6 SUMMARY

You must have noticed that the area of product planning, product line decision making and arriving at proper product strategy is an extremely exciting and interesting field. It is challenging and, if not done properly, can result in losses to the organisation.

The product life cycle concept is an extremely important one which, at times, is neglected by even well known companies.

It is important to note the different marketing mix used in the different stages of the product life cycle. Please remember that the new products have to be introduced much before the decline of existing products, so that the total sales picture may be a stable one.

While one may like to add new products to, the company's product-mix, it should be remembered that it is an expensive process. However, it must be done and one must go through the proper steps. Not only must new ideas be generated but they must also be properly evaluated. Often the `concept' itself must be tested before the company spends more money on product development.

After the product is properly designed and it is felt that it is appropriate for the market, it must be actually tested in the market before the final decision is made to launch the new product. After the new product is launched it must be watched throughout its life cycle.

7.7 KEY WORDS

Decline Stage is the stage in the product life cycle where the sales and profits shoot down.

Fads are novelty products that come quickly to the public eye and are lost fast. Here the product life cycle is very brief.

Fashion a style which is currently accepted but is likely to change, as fashions move in a cycle and change over a period of time to return to the original. For example, a woman's skirt gets

longer and longer until it can get longer no more. It then goes upward as fashion moves in a cycle.

Growth Stage is the stage in the product life cycle when the sales and profits increase happily for the organisation.

Introduction Stage is the stage where the product is just introduced and is at the beginning of the product life cycle. This is evidenced by slow growth and very small profits.

Market Testing is the stage where the product is actually tested in the market, that is, introduced in a consumer setting with a view to ascertain the reactions of consumers and dealers before a final decision to market or launch the product is made.

Maturity Stage is the stage in the life cycle where the sales stop going up and slow down because competitors have entered the market and it becomes difficult for a continuous increase in the sales.

7.8 SELF – ASSESSMENT TEST

Please answer the following questions. This is meant for self-evaluation to show you how far you have understood or remembered what you have learnt. You can always refresh your memory.

1. Explain briefly the `product life' cycle concept' in marketing management and state why you feel it is useful to understand this concept.
2. Explain how the marketing mix has to be changed during the different stages of the product life cycle.
3. Selection and development of a new product are very important steps in the Marketing Strategy. Take a hypothetical example of your choice and discuss.
4. Explain briefly the stages through which you would test ideas coming up for new products until the final stage of launching the new product.

If you like, you may take as an illustration a new instant' shoe polish which is to be introduced in India. The novelty of the shoe polish is that it has to be merely sprayed on the shoes to give them an excellent shine. You can of course take any other example and go through the stages.

7.9 FURTHER READING

Kotler, Philip, 2008 *Marketing Management* Fifth Edition, Prentice Hall of India Private Limited: New Delhi.

S.A. Chunawalla, *Product Management, 1999,* 2nd edition, Himalaya Publications, New Delhi

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Unit – 8 PRICING DECISIONS

Objectives

After going through this Unit, you should be able to:

- appreciate the factors affecting the pricing decision
- understand the importance and role of cost in pricing
- identify the different methods used in pricing
- understand how pricing can be used to achieve the objectives at each stage of the product life-cycle
- understand the difference in pricing of consumer and industrial products
- understand how pricing can help position a product in relation to other competing products.

Structure

8.1 Introduction

8.2 Determinants of Pricing

8.3 Role of Costs in Pricing

8.4 Pricing Methods

8.5 Objectives of Pricing Policy

8.6 Consumer Psychology and Pricing

8.7 Pricing of Industrial goods

8.8 Pricing over the Life-cycle of the Product

8.9 Nature and Use of Pricing Discounts

8.10 Product Positioning and Price

8.11 Non-price Competition

8.12 Summary

8.13 Self-Assessment Exercises

8.14 Further Readings

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8.1 INTRODUCTION

Price is an important element of the marketing mix. It can be used as a strategic marketing variable to meet competition. It is also a direct source of revenue for the firm. It must not only cover the costs but leave some margin to generate profit for the firm. However, price should not be so high as to frighten the customers. Price is also an element which is highly perceptible to customers and significantly affects their decisions to buy a product. In general, price directly determines the quantity to be sold. That is why electric fans are sold at lower prices and hotels reduce their tariffs during off season periods to attract customers.

8.2 DETERMINANTS OF PRICING

Pricing decisions are usually determined by cost, demand and competition. We shall discuss each of these, factors separately. We take demand first.

Demand

The popular `Law of Demand' states that "higher the price; lower the demand, and vice versa, other things remaining the same". In season, due to plentiful supplies of certain, agricultural products, the prices are low and because of low prices, the demand for them increases substantially. You can test the validity of this law yourself in your daily life. There is an inverse relationship between price and quantity demanded. If price rises, demand falls and if the price falls, the demand goes up. Of course, the law of demand assumes that there should be no change in the other factors influencing demand except price. If any one or more of the other factors, for instance, income, the price of the substitutes, tastes and preferences of the consumers, advertising, expenditures, etc. vary, the demand may rise in spite of a rise in price, or alternatively, the demand may fall in spite of a fall in price. However, there are important exceptions to the law of demand.

There are some goods which are purchased mainly for their `snob appeal'. When prices of such goods rise, their snob appeal increases and they are purchased in larger quantities. On the other hand, as the price of such goods falls, their snob appeal and, therefore, their demand falls. Diamonds provide a good example.

In the speculative market, a rise in prices is frequently followed by larger purchases and a fall in prices by smaller purchases. This is specially applicable to purchases of industrial raw materials.

More important than the law of demand is the **elasticity of demand.** While the law of demand tells us the **direction of** change in demand, elasticity of demand tells us the **extent of change** in demand. Elasticity of demand refers to the response of demand to a change in price.

It is necessary for the marketer to know what would be the reaction of the consumers to the change he wishes to make in the price. Let us take some examples. Smokers are usually so addicted to smoking that they will not give up smoking even if prices of cigarettes increase. So also the demand for salt or for that matter of wheat is not likely to go down even if the prices increase. Another example of inelastic demand is the demand for technical journals, which are sold mainly to libraries. On the other hand, a reduction in the price of television will bring in more than proportionate increase in demand. Some of the factors determining the price-elasticity of demand are the nature of the commodity, whether it is a necessity or luxury, extent of use, range of substitutes, urgency of demand and frequency of purchase of the product.

The concept of elasticity of demand becomes crucial when a marketer is thinking of lowering his price to increase the demand for his product and to get a larger market share. If the increase in sales is more than proportionate to the decline in price, his total sale proceeds and his profits might be higher. If the increase in sales is less than proportionate, his total sales proceeds will decline and his profits will definitely be less. Thus knowledge of the elasticity of demand for his products will help a marketer to determine whether and to what extent he can cut the prices or pass on the, increase in costs to the consumer.

It may also be noted that the price elasticity of demand for a certain commodity and the price elasticity of demand for a certain brand of that commodity may be radically different. For example, while the demand for cigarettes as such, may be highly inelastic, the price elasticity of demand for Four Square or 'Charms' may be highly elastic. The reasons for this are weak brand loyalty and the availability of substitutes.

Exercise 1

'The total annual demand for fans in a country in 2017 was estimated to be 100, 0000 units. A company manufacturing table fans had 20% market share. The average price of its fans was Rs.1000 per unit. The gross margin per unit was Rs.100. The capacity of the company is 200, 000 fans. The impact on sales as prices were changed was estimated as follows:

Price	Estimated Sales
A) Rs. 1100	92,000
B) Rs. 1040	88,000
C) Rs. 960	1,12,000
D) Rs. 900	200,000

Would you recommend a price change? If yes,-what price will you recommend?

HINT: Calculate the sales revenue and gross margin for each of the price levels.

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……

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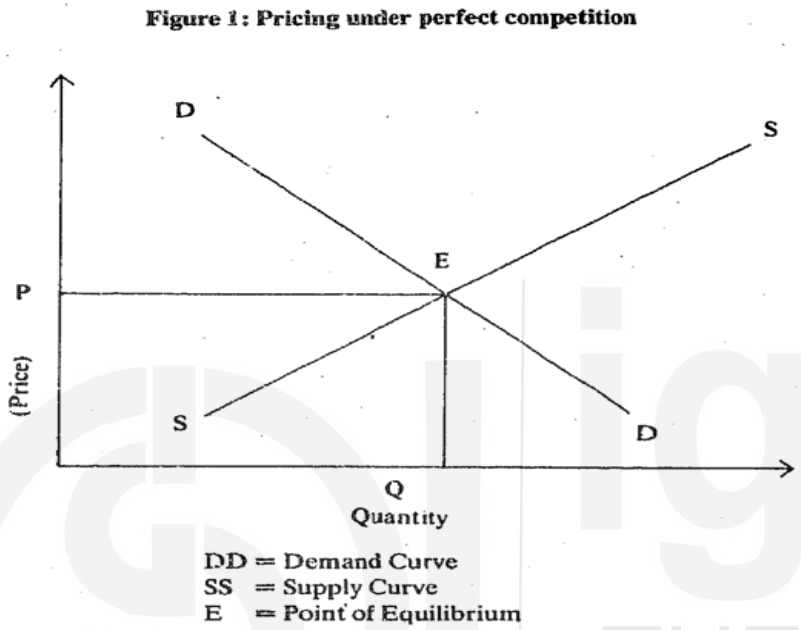
Competition

The degree of control over prices which the sellers may exercise varies widely with the competitive situation in which they operate. Sellers operating under conditions of pure competition do not have any control over the prices they receive. A monopolist, on the other hand, may fix prices according to his discretion. Sellers operating under imperfect competition may have some pricing discretion. The marketer, therefore, needs to know the degree of pricing discretion enjoyed by him. Let us take up each of these cases individually.

Perfect competition is said to exist when (i) there are a large number of buyers and sellers, (ii) each purchasing and selling such a small quantity that their withdrawal from the market will not affect the total demand and supply, (iii) the products sold by sellers are homogeneous in nature.

Prices under perfect competition are determined by the forces of supply and demand. Prices will be fixed at a point where supply and demand are at equilibrium. This is illustrated in the following figure:

Figure – 1 : Pricing under perfect competition



In pure competition, all that the individual seller can do is to accept the price prevailing in the market, i.e. he is in the position of a **Price Taker**. If he wants to charge a higher price, buyers will purchase from other sellers. And he need not charge less since he can sell his small supply at the going market price,

Under monopoly, a single producer has complete control of the entire supply of a certain product/service offering. **IRCTC** (Indian Railway Catering and Tourism Corporation) and **HAL** (Hindustan Aeronautics Limited) are examples of monopoly. The main features of monopoly are (i) there is only one seller of a particular good or service and (ii) rivalry from the producers of substitutes is so remote that it is almost insignificant. As a result, the monopolist is in a position to set the price himself. Thus, he is in the position of a Price Setter.

However, even in the case of monopoly, there are limits to the extent to which he can increase his prices. Much depends on the elasticity of demand for the product. This, in turn, depends on the extent of availability of substitutes for the product. And in most cases, there is rather an infinite series of closely competing substitutes. Even railways and telephones organisations must

take into account potential competition by alternative services-railways may be substituted by motor transport and telephone calls by telegrams during the eighties. Today, it's SMS on mobile phone and other gadgets. The closer the substitute and greater the elasticity of the demand for a monopolist's product, the less he can raise his price without frightening away his customers. High price of oil has led to development of alternative sources of energy.

Monopolies are constantly tending the break down due to the following reasons:

(i) shifts in consumer demand, (ii) continuous process of innovations and technological developments leading to development of substitutes, (iii) lack of stimulus to efficiency provided by competition, (iv) entry of new competitors, and (v) intervention by governments.

Oligopoly is a market situation characterised by a few sellers, each having an appreciable share in the total output of the commodity. Examples of oligopoly are provided by the automobiles, cement, tyre, oil & gas, aluminum & steel, cable TV services, cellular phone services, airline services, cigarettes, and a host of other product/commodities. In each-of these industries, each seller knows his competitors individually in each market.

Each oligopolist realises that any change in his price and advertising policy may lead rivals to change their policies. Hence, an individual firm must consider the possible reactions of the other firms to its own policies. The smaller the number of firms, the more interdependent are their policies. In such cases, there is a strong tendency towards close collaboration in policy determination both in regard to production and prices. Thus, oligopolists follow the philosophy of `live and let live'. Two examples of this may be mentioned here. In response to tenders invited by the Director General of Civil Supplies and Disposals, the three principal manufacturers of storage batteries, viz. Chloride India, Standard Batteries and AMCO Batteries, quoted almost identical prices.

Oligopolistic industries are usually characterised by what is known as price leadership-a situation where firms fix their prices in a manner dependent upon the price charged by one of the firms in the industry, called the **price leader.** The price leader has lower costs and adequate financial resources, a substantial share of the market and a reputation for sound pricing decisions. Price leaders with the strongest position in the market may often increase their prices with the hope

that competitors will follow suit. Price followers may delay raising their prices in the hope of snatching a part of the market share away from the leader.

Duopoly is a form of oligopoly where a market is characterized by two companies trying to dominate the market by competing with each other, thereby reducing the chances of a monopolistic market condition examples of duopolies in Indian market are Zomato vs. Swiggy both are into the business of online food ordering platforms, Ola vs. Uber are cab aggregators offer passenger transportation services and Flipkart vs. Amazon both being e-commerce companies/online stores offering a wide range of merchandise to the customer at their doorstep.

Monopolistic competition is a market situation, in which there are many sellers of a particular product, but the product of each seller is in some way differentiated in the minds of consumers from the product of every other seller. None of the sellers is in a position to control a major part of the total supply of the commodity but every seller so differentiates his portion of the supply from the portions sold by others, that buyers hesitate to shift their purchases from his product to that of another in response to price differences. At times, one manufacturer may differentiate his own products. Consumer products, consumer durables, automobiles (both two wheelers & cars) banking and NBFC's, software development services and telecom services fall under the purview of this category.

For example, a blade manufacturer in lndia manufactures a large number of brands of blades. This differentiation of product by each manufacturer by giving it a brand name gives him some amount of monopoly if he is able to create goodwill for his product and he may be able to charge higher prices thereof to some extent. Still, his product will have to compete with similar products of other manufacturers which put a limit on his pricing discretion. If he charges too high a price, consumers may shift their loyalty to other competing suppliers. You can find it out yourself by going to the market, as a large number of consumer goods like toothpastes, soaps, cigarettes; mobile handset, etc. are subject to a large degree of product differentiation as a means of attracting customer.

As long as a consumer has an impression that a particular product brand is different and superior to others, he will be willing to pay more for that brand than for any other brand of the same commodity. The differences real or illusory may be built up in his mind by (a) recommendations

by friends, (b) advertising, and (c) his own experience and observation. The producer gains and retains his customers by (a) competitive advertising and sales promotion, (b) the use of brand names quite as much as by (c) price competition.

Product differentiation is more typical of the present day economic system, than either pure competition or monopoly. And, in most cases, an individual firm has to face monopolistic competition. It tries to maintain its position and promote its sales by either (i) changing its price and indulging in price competition, or (ii) intensifying the differentiation of its product, and/or (iii) increasing its advertisement and sales promotion efforts.

8.3 ROLE OF COSTS IN PRICING

There is a popular belief that costs determine price. It is because the cost data constitute the fundamental element in the price setting process. However, their relevance to the pricing decision must neither be underestimated nor exaggerated. For setting prices, apart from costs, a number of other factors have to be taken into consideration. Demand is of equal, and, in some cases, of greater importance than costs. An increase in cost may appear to justify an increase in prices yet the demand situation may not permit such an increase. On the other hand, an increase in demand may make increase in prices possible, even without any increase in costs.

Very often, price determines the cost that may be incurred. The product is tailored to the requirements of the potential consumers and their capacity to pay for it. Decades ago when radio manufacturers in India realised that if they have to capture the mass market prevailing in India, they have to price it at low level which could be done only by reducing costs-reducing the number of wave-bands in the radio. And now a single wave radio is available at around Rs. 100. Given the price, we arrive at the cost working backwards from the price consumers can afford to pay. Over a period, cost and quality are adjusted to the given price.

If costs were to determine prices, why do so many companies report losses? There are marked differences in costs as between one producer and another. Yet the facts remains that the prices are quite close for a somewhat similar product. This is, if anything, is best evidence of that costs are not the determining factor in pricing.

Price decisions cannot be based merely on cost. It is very difficult to measure costs accurately. Costs are affected by volume, and volume is affected by price. The management has to assume some desire price and volume relationship for determining costs. That is why costs play even a less important role in case of new products as compared to existing products. It is not possible to determine costs without having an idea of what volumes or numbers can be sold. But, since there is no experience of volumes, costs and prices, one starts with the going market price for similar products.

All this discussion does not purport to show that costs should be ignored altogether while setting prices. Costs have to be taken into consideration. In fact, in the long- run, if costs are not covered, manufacturers will withdraw from the market and supply will be reduced which, in turn, may lead to higher prices. The point that needs emphasis is that cost is not the only factor in setting prices. Cost must be regarded only as an indicator of the price which ought to be set after taking into consideration the demand, the competitive situation, and other factors.

Costs determine the profit consequences of the various pricing alternatives. Cost calculations may also help in determining whether the product whose price is determined by its demand is to be included in the product line or not.

Exercise 2

In the example stated in Exercise 1, the cost behaviour changes for various levels of production as follows:

No. of manufactured units	Cost Price per unit (Rs.)
50,000	450
45,000	470
55,000	440
60,000	430
70,000	420
100,000	400

Considering the price levels and expected sales mentioned earlier in Exercise 1, what would be the optimal price under above cost behaviour situation?

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8.4 PRICING METHODS

After discussing the various considerations affecting pricing policies, it would be useful to discuss the alternative pricing methods most commonly used. These methods are:

Cost-plus or Full-cost pricing
Pricing for a rate of return, also called target pricing
Marginal cost pricing
Going rate pricing, and
Customary pricing

The first three methods are cost-oriented as the prices are determined on the basis of costs. The last two methods are competition-oriented as the prices here are set on the basis of what competitors are charging.

Cost-plus or Full-cost Pricing

This is most common method used in pricing. Under this method, the price is set to cover costs (materials, labour and overhead) and a predetermined percentage for profit. The percentage differs strikingly among industries, among members-firms and even among products of the same firm. This may reflect differences in competitive intensity, differences in cost base and differences in the rate of turnover and risk. In fact, it denotes some vague notion of a **just profit.**

What determines the normal profit? Ordinarily margins charged are highly sensitive to the market situation. They may, however, tend to be inflexible in the following cases: (i) they may become merely a matter of common practice, (ii) mark-ups may be determined by trade

associations either by means of advisory price lists or by actual lists of mark-ups distributed to members, (iii) profits sanctioned under price control as the maximum profit margins remain the same even after the price control is discontinued. These margins are considered ethical as well as reasonable. Its inadequacies are:

1. It ignores demand-there is no necessary relationship between cost and what people will pay for a product.
2. It fails to reflect the forces of competition adequately. Regardless of the margin of profit added, no profit is made unless what is produced is actually sold.
3. Any method of allocating overheads is arbitrary and may be unrealistic. Insofar as different prices would give rise to different sales volumes, unit costs are a function of price, and therefore, cannot provide a suitable basis for fixing prices. The situation becomes more difficult in multi-product firms.
4. It may be based on a concept of cost which may not be relevant for the pricing decision.

Explanation for the widespread use of Full-cost Pricing

A clear explanation cannot be given for the widespread use of full-cost pricing, as firms vary greatly in size, product characteristics and product range, and face varying degrees of competition in markets for their products. However, the following points may explain its popularity:

1. Prices based on full-cost look factual and precise and may be more defensible on moral grounds than prices established by other means.
2. Firms preferring stability, use full-cost as a guide to pricing in an uncertain market where knowledge is incomplete. In cases where costs of getting information are high and the process of trial and error is costly, they use it to reduce the cost of decision-making.
3. In practice, firms are uncertain about the shape of their demand curve and about the probable response to any price change. This makes it too risky to move away from full-cost pricing.
4. Fixed costs must be covered in the long-run and firms feel insecure that if they are not covered in the long-run either.

5. A major uncertainty in setting a price is the unknown reaction of rivals to that price When products and production processes are similar, cost-plus pricing may offer source of competitive stability by setting a price that is more likely to yield a price that is more likely to yield
6. Management tends to know more about products costs than other factors which are relevant to pricing.
7. Cost-plus pricing is especially useful in the following cases:
    a) Public utilities such as electricity supply, transport, where the objective is to provide basic amenities to society at a price which even the poorest can afford.

    b) Product tailoring, i.e. determining the product design when the selling price is predetermined. The selling price may be determined by government, as in case of certain drugs, cement, fertilisers. By working back from this price, the product design and the permissible cost is decided upon. This approach takes into account the market realities by looking from the viewpoint of the buyer in terms of what he wants and what he will pay.

    c) Pricing products that are designed to the specification of a single buyer as applicable in case of a turnkey project. The basis of pricing is estimated cost plus gross margin that the firm could have got by using facilities otherwise.

    d) Monopsony buying-where the buyers know a great deal about suppliers' costs as in case of an automobile buying, components from its ancillary units. They may make the products themselves if they do not like the price. The more relevant cost is the cost that the buying company, say, the automobile manufacturer, would incur if it made the product itself.

In India, cost-plus method is widely used. There are two special reasons which could explain its wide use in India.

1. The prevalence of sellers' market in India makes it possible for the manufacturers to pass on

the increases in costs to the consumers.

2. Costs plus a reasonable margin of profit are taken into consideration for the purposes of price fixation in the price-controlled industries in India. Thus, this method has the tacit approval of the Government.
3. To conclude, cost-plus is a pricing convention relying on arbitrary costs and arbitrary mark-ups. It is adopted because it is simpler to apply.

Pricing for a Rate of Return

An important problem that a firm might have to face is one of adjusting the prices to changes in costs. For this purpose the popular policies that are often followed are as under:

1. Revise prices to maintain a constant percentage mark-up over costs.
2. Revise prices to maintain profits as a constant percentage of total sales
3. Revise prices to maintain a constant return on invested capital.

The use of above policies is illustrated below:

Illustration

A firm sells 1, 00,000 units per year at a factory price of Rs. 12 per unit. The various costs are given below:

Variable Costs	Materials	Rs. 3,60,000
	Labour	Rs. 4,20,000
Fixed Costs	Overhead Selling & Administrative	Rs. 1,20,000
Total investment in cash		Rs. 1,80,000
Inventory and equipment		Rs. 8,00,000

Suppose the labour and materials cost increases by 10 per cent. The question is how to revise price according to the three policies discussed above.

The above data reveal that costs are Rs. 10, 80,000. The profits as percentage of costs, sales and capital employed (according to the three policies are):

1. Percentage over costs $\frac{1,20,000}{10,80,000} = 11.1$

2. Percentage on sales $\frac{1,20,000}{12,00,000} = 10$

3. Percentage on capital employed $\frac{1,20,000}{8,00,000} = 15$

The revised costs are Rs. 11, 58,000

(Rs. 10, 80,000+36,000+ 42,000)

According to the first formula, we have to earn a profit of 11.1 per cent on costs. Our revised profits should be Rs. 1, 28,667 and sales volume on this basis would be Rs.12, 86,667. The selling price would, therefore, be Rs. 12.87 per unit.

Under the second formula, the profit should be 10 per cent on sales. If sales are S, the profit would be S/10 and cost would be 9S/10. The cost is known to us and we have to find out the sales.

If 9S/10= Rs. 11, 58,000 than S= Rs. 12, 86,667.

Therefore, the price per unit is Rs. 12.87.

Under the third formula, we assume that the capital investment is the same. Therefore, the required profit is Rs. 1, 20,000 (15 per cent on Rs, 8, 00,000). The sales value would then be Rs. 12, 78,000 and the selling price per unit would be Rs. 12.78.

Rate of return pricing is a refined variant of full-cost pricing. Naturally, it has the same inadequacies, viz., it tends to ignore demand and fails to reflect competition adequately. It is

based upon a concept of cost which may not be relevant to the pricing decision at hand and overplays the precision of allocated fixed costs and capital employed.

Marginal Cost Pricing

Both under full-cost pricing and the rate-of-return pricing, prices are based on total costs comprising fixed and variable costs. Under marginal cost pricing, fixed costs are ignored and **prices are determined on the basis of marginal cost.** The firm uses only those costs that are directly attributable to the output of a specific product.

With marginal cost pricing, the firm seeks to fix its prices so as to maximise its total contribution to fixed costs and profit. Unless the manufacturer's products are in direct competition with each other, this objective is achieved by considering each product in isolation and fixing its price at a level which is calculated to maximise its total contribution.

Advantages

1. With marginal cost pricing, prices are never rendered uncompetitive merely because of a higher fixed over-head structure. The firm's prices will only be rendered uncompetitive by higher variable costs, and these are controllable in the short-run while certain fixed costs are not.

2. Marginal cost pricing permits a manufacturer to develop a far more aggressive pricing policy than does full-cost pricing. An aggressive pricing policy should lead to higher sales and possibly reduced marginal costs through increased marginal physical productivity and lower input factor prices.

3. Marginal cost pricing is more useful for pricing over the life-cycle of a product, which requires short-run marginal cost and separable fixed cost data relevant to each particular state of the cycle, not long-run full-cost data.

Marginal cost pricing is more effective than full-cost pricing because of two characteristics of modern business:

a) The prevalence of multi-product, multi-process and multi-market concerns makes the absorption of fixed costs into product costs absurd. The total costs of separate products can never be estimated satisfactorily, and the optimal relationship between costs and prices will vary substantially both among different products and between different markets.

b) In many businesses, the dominant force is innovation combined with constant scientific and technological development, and the long-run situation is often highly unpredictable. There is a series of short-runs of production and one must aim at maximising contribution in each short-run. When rapid developments are taking place, fixed costs and demand conditions may change from one short-run to another, and only by maximising contribution in each short-run will profit be maximised in the long-run.

Limitations

1. The encouragement to take on business which makes only a small contribution may be so strong that when an opportunity for higher contribution business arises, such business may have to be foregone because of inadequate free capacity, unless there is an expansion in organisation and facilities with the attendant increase in fixed costs.

2. In a period of business recession, firms using marginal cost pricing may lower prices in order to maintain business and this may lead other firms to reduce their prices leading to cut-throat competition. With the existence of idle capacity and the pressure of fixed costs, firms may successively cut down prices to a point at which no one is earning sufficient total contribution to cover its fixed costs and earn a fair return on capital employed.

In spite of its advantage, due to its inherent weakness of not ensuring the coverage of fixed costs, marginal cost pricing has usually been confined to pricing decision relating to special orders.

Going –rate Pricing

Instead of the cost, the emphasis here is **on the market.** The firm adjusts its own price policy to the general pricing structure in the industry. Where costs are particularly difficult to measure,

this may seem to be the logical first step in a rational pricing policy. Many cases of this type are situations of price leadership. Where price leadership is well established, charging according to what competitors are charging may be the only safe policy.

It must be noted that `going-rate pricing' is not quite the same as accepting a price impersonally set by a near perfect market. Rather it would seem that the **firm has some power** to set its own price and could be a price maker if it chooses to face all the consequences. It prefers, however, to take the safe course and conform to the policy of others.

Customary Pricing

Prices of certain goods become more or less fixed, not by deliberate action on the sellers' part but as a result of their having prevailed for a considerable period of time. For such goods, changes in costs are usually reflected in changes in quality or quantity. Only when the costs change significantly the customary prices of these goods are changed.

Customary prices may be maintained even when products are changed. For example, the new model of an electric fan may be priced at the same level as the discontinued model. This is usually so even in the face of lower costs. A lower price may cause an adverse reaction on the competitors leading to a price war so also on the consumers who may think that the quality of the new model is inferior. Perhaps, going along with the old price is the easiest thing to do. Whatever be the reasons, the maintenance of existing prices as long as possible is a factor in the pricing of many products.

If a change in customary prices is intended, the pricing executive must study the pricing policies and practices of competing firms and the behavior and emotional make-up of his opposite number in those firms. Another possible way out, especially when an upward move is sought, is to test the new prices in a limited market to determine the consumer reaction.

Exercise 3

Consider the following data for a door handle:

Direct labour per unit Rs. 7.50

Raw Materials per unit Rs. 2.00

Advertising and Sales Force costs Rs. 400,000 Other

relevant fixed costs Rs. 100,000

Current going-rate (Market) Price/Unit Rs**.** 22.00

Question 1

a) Find out the contribution / unit

b) No. of units to be sold for breaking even (Break-even point is the point where no loss or profit is made).

Question 2

a) If profit target is Rs. 60,000, how many units should be sold?

b) If currently 50,000 units are being sold, what is the profit?

Question 3

a) If owner's investment in the plant is Rs. 1,000,000 and they desire 205 rate of return before tax after covering all expenses, how many units should be sold?

Question 4

1. Let us assume that consumer behaviour in terms of units bought of this manufacturer is as follows:

Price	**No. of units sold**
22	50,000
21	60,000
20	70,000
23	40,000
24	30,000
25	20,000

What is the price at which manufacturer should sell the product?

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Answer 1 (a) – Rs. 12.50 (b) - 40,000 units 2 (a)-44,800 units

2(b) –Rs. 125,000 3(b)-Rs. 56,000 4(a)-Rs. 20

8.5 OBJECTIVES OF PRICING POLICY

Before a marketer fixes a price, he should keep in mind certain basic considerations. The price policy he adopts is closely related to his other policies, like production programme, advertising policy and selling methods. For example, it may be necessary to reduce the price to offset the probable loss of sales from a lower advertising budget or to enable fuller utilisation of plant capacity more quickly. Aggressive sales campaign may be necessary to meet the advent of a new competitor. Your price should not be so high that it attracts others to compete with you. A low price policy may result in such a high volume of sales and low unit costs that profits are maximised even at low prices.

"My policy is to reduce the price, extend the operations and improve the article. You will note that the reduction of price comes first. I have never considered any costs as fixed. Therefore, I first reduce the price to a point where I believe more sales will result. The new price forces the costs down... (by forcing) everybody in the plant to the highest point of efficiency," Henry Ford quoted in Phillip and Duncan, Marketing, 3rd Edition, 1956, p. 696.

If a marketing manager is to make effective pricing decisions, he should be clear about the firm's long-term marketing objectives for the entire range of products and services. If the firm is interested in increased market share, it would have to resort to penetration pricing. If it is interested in short-term profitability, it may have a higher price even at the expense of sales volume and market share. The following table gives a summary view of some marketing objectives and their pricing implications:

Marketing Area	**Marketing Objectives**	**Pricing Implication**
Product	Improved Quality Acceptance	Higher cost = Price increase or lower profit.
Advertising and Promotion	Stronger Support	Increased Advertising and publicity budget = Price increase or lower profit.
Distribution	Additional Selling Points	Possibly higher distribution costs (margin increase)
Consumer/Users	Greater Acceptance	Increased Advertising and publicity effort, possibly higher distribution cost = higher price or loss profit.

Source : 2, J.J Ward (Editor), The Export Marketing Management, International Trade Centre, Geneva 1985, P – 284.

8.6 CONSUMER PSYCHOLOGY AND PRICING

Sensitivity to price change will vary from consumer to consumer. In a particular situation, the behaviour of one individual may not be the same as that of the other. Some important characteristics of consumer behaviour as revealed by research and experience are detailed below:

1. From the point of view of the consumer, prices are quantitative and precise whereas product quality, product image, customer service, promotion and similar factors are qualitative and ambiguous. It is easier to speculate about what consumers would do if prices raise by 5 per cent than if the quality improved by 5 per cent.

2. Price constitutes a barrier to demand when it is too low just as much as when it is too high. Above a particular price, the article is regarded as too expensive and, below another price, as constituting a risk of not giving adequate value. If the price is too low, consumers will tend to think that a product is of inferior quality.

   When **Balsara**, the then manufacturer of **`Odonil'** room freshener and **`Promise'** tooth paste realised that pricing a product too low could adversely affect its sales by creating a credibility problem. Consequently, they began to price their products with higher unit margins, to make higher advertising outlays to emphasise product attributes rather than the price and provide more attractive margins to dealers to push up their products. *(Business India, April 28-May 11, 1980, P-35).*

   Having acquired both the brands **Odonil** and **Promise** fifteen years back (around 2005) by **Dabur** from Balsara today, certainly the pricing strategies of both the brands by **Dabur**, would be very different and will be worth analyzing to arrive at the reasons for their respective strategies.

3. Price inevitably enters into the consumer's assessment of quality. There are two reasons for this:

   a) It needs expert knowledge and appropriate equipment to test the quality or durability of some particular products (to say nothing of the time and cost involved in carrying out a proper test), and
   b) Customers tend to look upon price itself as a reasonably reliable indicator of quality. What is costly is thought to be of a high quality. A higher price is ordinarily taken to be a symbol of extra quality, or extra value of extra prestige. It is very difficult to convince people that something cheap is of good quality and that something expensive is of poor quality. It may be easier to prove that an expensive product is of superior quality than to prove that a cheap product is of good quality.

This is specially true of durable consumer goods which are very often differentiated, at least psychologically, through branding, packaging and advertising. In such cases, the sale of certain goods could be stimulated more effectively through higher rather than lower prices

for two reasons: (i) the higher price increases the snob appeal of the goods and, (ii) the higher price creates confidence in the customer that he is getting good quality.

To conclude, in many cases, price is used by the prospective customer as a clue for sizing up the quality of the product. This price quality association is well established.

4. With rising incomes, the average consumer becomes, quality- conscious. An improvement may, therefore, lead to an increase in demand. If this is so, a time may come when a rise in price results in an increase in demand. This extreme situation may arise if price in increasingly affluent societies comes to serve merely as an indicator of quality.
5. Consumers may be persuaded to pay more for heavily advertised goods. A firm's size, its financial success, and even its age are often perceived by consumers as measures of quality. Well known firms very often assert that by virtue of their reputation they are able to charge 5 to 10 per cent higher than other firms but definitely not much more.
6. In a comprehensive survey of consumer consciousness, it was revealed that the basic postulate of the demand theory, i.e., the consumer has an appropriate knowledge of market prices, was not fundamentally wrong.

The following types of consumers are most likely to perceive price as an indicator of quality:

i) persons trying to achieve status,

ii) occasional consumer who is not knowledgeable in a product area, e.g. , purchase of a camera, and

iii) the buyer who is impressed by the importance of quality, but has difficulty in identifying it.

An experimental study in India showed that more than 60 per cent of the respondents revised their ratings of readymade shirts after knowing their prices indicating thereby that price information does have a significant effect on quality perception. To conclude, higher prices that increase consumer readiness to buy may sound uneconomic, but may not be unrealistic. The price-quality concept has equal relevance to new product pricing. The lesson from this discussion

is that ***the producer has considerable flexibility in pricing his products, provided he can create a psychological image of quality.***

8.7 PRICING OF INDUSTRIAL GOODS

For many consumer products, buyers are not usually aware of the prevailing prices. Products falling in the category of luxury goods and items not frequently purchased would constitute such goods, consumers, of course are usually aware of the regularly purchased items like groceries and the allied.

On the contrary, buyers of industrial goods tend to be price conscious. They are keen to check what they get for the price they pay. They also tend to act more rationally than an average buyer of consumer goods. Their knowledge of markets is more intensive and exact, if not perfect. Very often the buyer of an industrial product knows or at least can make a guess of the costs of manufacture.

Product differentiation is easier in industrial goods than in consumer goods by

(i) providing better service in connection with delivery, use or installation, and

(ii) building a reputation for reliability or quality of workmanship. Moreover, product differentiation results much more from product differences that generate provable claims. Branding, therefore, plays a much less important role in the marketing of industrial goods than in the case of consumer goods. Price leadership is a very common phenomenon in the industrial goods market.

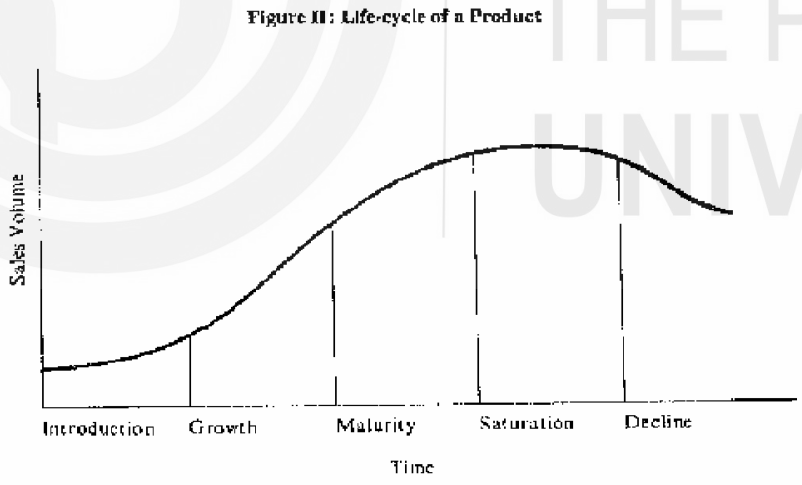
The price elasticity of the demand for an industrial product would depend to some extent on how important its price is in the general cost structure of the using firm. If it represents a significant element, a reduction in price may lead to a substantial increase in demand. If it is not, a change in price may not lead to a change in demand. The demand for equipment, however, is much less price elastic because the price of the equipment is a part of the over-head cost which cannot be readily identified.

8.8 PRICING DURING THE LIFE-CYCLE OF A PRODUCT

Many products generally have a characteristic known as `perishable distinctiveness'. This means that a product which is distinct when new, degenerates over the years into a common commodity. The process by which the distinctiveness gradually disappears as the product merges with other competitive products has been rightly termed by Joel Dean as "the cycle of competitive degeneration". The cycle begins with the invention of a new product, and is often followed by patent protection, and further development to make it saleable. This is usually followed by a rapid expansion in its sales as the product gains market acceptance. Then competitors enter the field with imitation and rival products and the distinctiveness of the new product starts diminishing. The speed of degeneration differs from product to product. The innovation of a new product and its degeneration into a common product is termed as the life-cycle of a product.

There are five distinct stages in the life-cycle of a product as shown in Figure II.

Figure –II



1. **Introduction:** Research or engineering skill leads to product development. The product is put on the market; awareness and acceptance are minimal. There are high promotional costs. Volume of sales is low and there may be heavy losses.
2. **Growth:** The product begins to make rapid sales gains because of the cumulative effects

of introductory promotion, distribution, and word-of-mouth influence. High and sharply rising profits may be witnessed. But, to sustain growth, consumer satisfaction must be ensured at this stage.

3. **Maturity:** Sales growth continues, but at a diminishing rate, because of the declining number of potential customers who remain unaware of the product or who have taken no action. There is no improvement in the product but changes in selling effort are common. Profit margins slip despite rising sales.
4. **Saturation:** Sales reach and remain on a plateau marked by the level of replacement demand. There is little additional demand to be stimulated.
5. **Decline:** Sales begin to diminish absolutely as the customers begin to tire of the product and the product is gradually edged out by better products or substitutes.

It may be noted that products may begin in new-cycle or revert to an early stage as a result of

a) the discovery of new uses,
b) the appearance of new users, and
c) introduction of new features

As the distinctiveness of the products fades, the pricing discretion enjoyed by their producers gradually declines. This is what happened in the case of many products like transistors, radios, pagers, walkmans, audio systems, mopeds etc. Throughout the cycle, changes take place in price and promotional elasticity of demand as also in the production and distribution costs of the product. Pricing policy, therefore, must be adjusted over the various phases of the cycle. Let us know the pricing policy in the pioneering stage and the maturity stage of a product.

Pricing a New Product

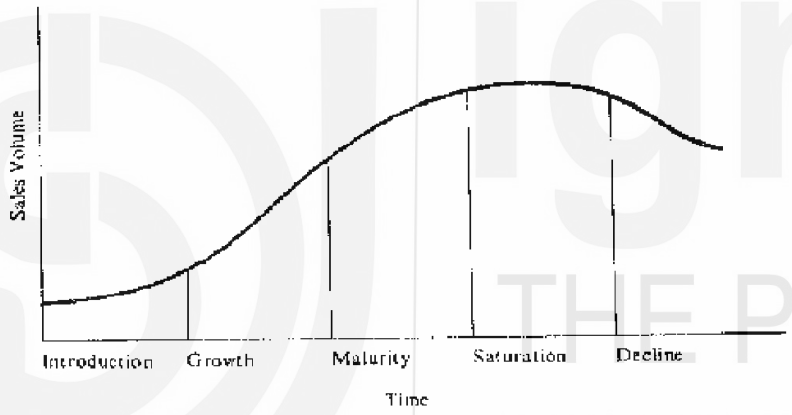
The basic question is whether to charge a **high skimming (initial) price** or a **low penetration price.**

If a skimming price is adopted, the initial price is very high. The policy may be held for varying periods of time, indefinitely if the product enjoys valid and defensible patent protection. But usually, it is not longer than the time necessary for competitors to study the product's usefulness,

to decide what to do about it, and to prepare for making it, a period ranging from a few weeks to as much as two years. After this period, the price is apt to drop precipitately and over a period of a few years to approach the usual or customary margin above cost that is common in the industry.

In case of penetration pricing, the initial price of the new product is apt to be somewhere near what may be expected to be the usual or customary level once competitors enter the field, generally only slightly above the level. If the initial price is properly fixed, only minor adjustment would have to be made if and when competition develops. Figures III shows the behaviour of these two types of prices graphically:

Figure II: Life-cycle of a Product



A) **A high initial price** (skimming price), together with heavy promotional expenditure, may be used to launch a new product if conditions are appropriate.

For example:

a) Demand is likely to be less price elastic in the early stages than later, since high prices are unlikely to deter pioneering consumers. A new product being a novelty commands a better price. Again, at least in the early stages, the product has so few close rivals that cross elasticity of demand are low.

b) If the life of product promises to be a short one, a high initial price helps in getting as much of it and as fast as possible.

c) Such a policy can provide the basis for dividing the market into segments of differing

elasticities. Hard bound edition of a book is usually followed by a paperback.

d) A high initial price may be useful if a high degree of production skill is needed to make the product so that it is difficult and time-consuming for competitors to enter on an economical basis.

e) It is a safe policy where elasticity is not known and the product not yet accepted. High initial price may finance the heavy costs of introducing a new product when uncertainties block the usual sources of capital. The benefits of reduction in product costs due to larger volume and technological developments can be passed onto consumers by a gradual reduction in prices. For instance, Penicillin and streptomycin were introduced at a high initial price but are now very reasonably priced. Internationally, the first ball point pen produced in 1945 at a cost of 80 cents, sold at $ 12.50. Now they are available at less than 50 cents. So is the case with most electronic components.

B) A Low penetration price: in certain conditions, it can be successful in expanding the market rapidly thereby obtaining larger sales volume and lower unit costs, it is appropriate where:

a) Sales respond quickly and strongly to low prices;
b) There are substantial cost savings from volume production;
c) The product is acceptable to the mass of consumers;
d) There is no strong patent protection; and
e) There is a threat of potential competition so that a big share of the market must be captured quickly.

The objectives of low penetration price are to raise barriers against the entry of prospective competitors.

Change in Price

A) Reduction in prices: A reduction price may be made to achieve the following objectives:

1. Prices may be reduced to offset a possible loss of sales resulting from a lower advertising budget.

2. When a firm is expanding its capacity, temporary price cut may help the new plant to reach capacity operation more quickly.
3. Lower prices may help the firm to broaden the market for its products.
4. Prices may have to be reduced to meet competitive pressures from domestic or foreign companies producing the same product or substitute products.
5. Prices may be reduced drastically to prevent the entry of potential competitors.
6. Technological developments may lead to reduce costs and manufacturers may wish to pass on the benefit to the consumers.

Shriram Chemicals have often reduced their prices as a result of advanced promotion techniques and better utilisation of installed capacity. DCM data products dramatically reduced the prices of their calculators in September, 1976 because of economies of scale. (These are a couple of examples of price revisions in during the seventies and the reasons thereof).

You may observe and analyze price revisions and the possible reasons for various products/categories and services in the current business and competitive environment of different firms.

Price reduction in individual drugs has always been a normal feature of the operations of the drugs industry both in India and abroad. Competition among drug manufacturers is becoming an increasingly important factor leading to voluntary price reductions wherever cost reduction of greater efficiency has made them possible.

Whether a reduction in price would help a firm to increase sales depends upon how the consumers react to the reduction. As has been pointed out earlier, consumers rely on prices as an indicator of quality. Reduction in price may give rise to an apprehension that quality has gone down. And a reduction in price may decrease sales unless special steps are taken to prove that the quality is maintained.

B) Increase in prices: Very often a company might face a situation where costs may have increased, and it might wonder whether to increase prices or not. The decision would depend on how demand would be affected by such an increase in prices. In fact, prices are usually increased where the market demand is strong and the business is having a boom.

Prices are normally never increased during periods of depression and falling incomes. Thus while it may be true that costs may be rising at the time prices are increased, it is the rising demand that makes it possible to pass on the increase in costs to customers without any adverse effect on sales.

8.9 NATURE AND USE OF PRICE DISCOUNTS

There are two popular types of discounts (i) Quantity discounts and (ii) Cash Discounts.

Quantity Discounts: Quantity discounts are price reductions related to the quantities purchased. Quantity discounts may be related to the size of the order being measured in terms of physical units of a particular commodity. This is practicable where the commodities are homogeneous or identical in nature, or where they may be measured in terms of truck-loads. However, this method is not possible in case of heterogeneous commodities which are hard to add in terms of physical units or truck- loads. Drug industry, textile industry and building material offer examples of these types. Here, quantity discounts are based upon the rupee value of the quantity ordered. Rupee becomes a common denominator of value.

Quantity discounts based on physical units become important where the cost of packing is a significant factor and orders of less than standard qualities, say, less than a case of 6 pressure cookers, may involve higher packing charges per cooker since the space remains unutilised. Thus quantity discounts may be employed to induce full carton purchasing.

In some cases, quantity discounts may be based on the cumulative purchases made during a particular period, usually a year or a season, e.g., Diwali discounts may be given on the basis of cumulative purchases made during the Diwali season spread over September to November.

One important **objective of quantity discounts** is to reduce the number of small orders and thereby avoid the high cost of servicing them. Quantity discounts can facilitate economic size order in three ways:

1. A given set of customers is encouraged to buy the same quantity but in bigger lots.
2. The customers may be induced to give the seller a larger share of their total requirements by giving preference over competitors.

3. Small size purchasers may be discouraged and bigger size customers may be attracted.

In many cases, discounts become a matter of trade customers.

Quantity discounts are most useful in the marketing of materials and supplies but are rarely used for marketing equipment and components.

Cash Discounts: Cash discounts are price reductions based on promptness of payment. An example of discount can be "2 per cent off if paid in ten days, full invoice price in 30 days". In practice, the size of cash discount may vary widely with changing times.

Cash discount is a convenient device to identify and overcome bad credit risks. In certain trades where credit risk is high, cash discount would be high. If a buyer decides to purchase goods on credit, this reflects his weak bargaining position, and he has to pay a higher price by foregoing the cash discount.

By prompt collections, manufacturers reduce their working capital requirements and thus save their interest costs. However, allowing discounts may involve paying 36.5 per cent in order to save 18 per cent. On the basis of "2 per cent off if paid in 10 days, full invoice price in 30 days", the seller's cost comes to 36.5 per cent (for getting the money 20 days before he has to lose 2 per cent which amounts to 36.5 per cent per year). He could get accommodation from any bank at about 18 per cent. Thus it is the reduction in collection expenses and in risks rather than savings on interest which should be the guiding consideration for cash discounts.

Kindly note that the above discount rates so mentioned are only to explain how cash discounts were offered in the past. You may study the current cash discounts offered across businesses and their impact and implications both for the seller as well as the buyer.

8.10 PRODUCT POSITIONING AND PRICE

By `Positioning' we mean the way a product is viewed by the customers in comparison with similar products. All aspects of the marketing mix must be co- ordinated to place the product in the right position in the market segment aimed at the right time. Price is just one element of the marketing mix and it must reflect the product's position in the market. A toilet soap meant to be a novelty to attract the elite must be sold at higher price. This is the basic idea behind product

differentiation, i.e. to avoid a situation where the product has to compete only on the basis of price alone.

8.11 NON- PRICE COMPETITION

The basic aim of non-price competition is to alter those characteristics of the product other than price which influence the decision of the buyers. The various forms of non-price competition are: (a) Advertising and creating brand loyalties, (b) changes in the quality of goods and services, (c) prompt deliveries, (d) free gifts and contests and, (e) better after-sales service. The more complex the product the greater are the characteristics which could be modified in response to customer tastes or as a result of changes in technology. Among the major factors responsible for the growth of non-price competition is (a) the tendency towards price uniformity, (b) desire to hold customers on the basis of attributes other than price, as for example, convenience and early deliveries or longer period of guarantee, (c) adoption of measures necessary even to make price competition effective. From the point of view of consumer's non-price competition is a boom as they may get better quality goods and services.

8.12 SUMMARY

Pricing is an important element of the marketing mix. Pricing is affected not only by the cost of manufacturing the product, but also by (i) the company's objectives in relation to market share and sales; (ii) the nature and intensity of competition; (iii) stage of the product life-cycle at which the product is currently positioned; (iv) nature of product whether as consumer or industrial product and if the former whether it is a luxury or necessity. Before making any pricing decision it is important to understand all these factors.

There are various methods of pricing. The four most commonly used methods are full cost pricing, pricing for a rate of return going rate pricing and customary pricing. While the first two methods are based on the costs incurred, the latter methods are based on the competition's pricing. While from the company's point of view, price represents a king of `maximum' that it can charge given its own costs and nature of competition, from the customer's viewpoint it is a representation of quality of the product. Thus, in many cases high price is associated with good quality and vice-versa.

Before designing the pricing strategy in which the choice is between penetrative and skimming pricing. The marketer must fully understand the connotation of price to a customer. In some a reduction in price may lead to an increase in sales, while in other cases it may not. This is especially true in case of industrial products, where the buyer may be more concerned with quality, reliability, delivery schedules, and after- sales services of the product rather than merely the price. Rather than a reduced price, what may be more relevant is price discounts in the form of quantity or cash discounts.

8.13 SELF – ASSESSMENT EXERCISES

1. What are the most important group of individual factors which influence the price of the product?

2. What type of competitive market structure does your company belong? How much discretion do you have in pricing your products?

3. Examine the competitive situation prevailing today in the Indian market for the following goods and indicate briefly the possible price strategies you would recommend for the profit maximisation: (a) Smart Phones, (b) Branded Footwear, (c) Petrol Bike vs. Electric Bike.

4. What would be your pricing strategy if you are (i) faced with an increased excise duty on your product? (ii) If you are able to reach economies of scale; and (iii) there is a fall in the prices of your major raw materials.

5. How do the stage of product life-cycle and product positioning affect the pricing decisions regarding the product of your company?

6. List out some premium priced products? Why are these products able to command high prices? Select any five products of your choice and justify for commanding a high price.

7. Identify some cases where factors other than cost have to be considered for fixing prices.

8. What are the cases where marginal costing could usually be employed? What are its limitations?

9. Can you list some companies who have been able to capture a good market share on the basis of a low price?

10. Will a lower price always induce people to buy more of your product? Will the consumers not think that the quality and price are lower? Illustrate citing your own experience?

8.14 FURTHER READINGS

Philip Kotler-11th edition 2008, *Marketing Management,* PHI- New Delhi

Wessim Hanna and H.Robert Dodge: - *Pricing Policies and Procedures,* Macmillan India, New Delhi

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MMPC-006
Marketing Management

Block

3

DISTRIBUTION AND PROMOTION DECISIONS

UNIT 9
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UNIT10
Advertising And Sales Promotion **28**

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UNIT 12
Distribution Management **124**

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Block 3 DISTRIBUTION AND PROMOTION DECISIONS

In this third block, we will shift our focus to two other major decisional areas in marketing, namely, distribution and promotion.

In a multi-lingual multi-cultural developing society like ours, communication poses a major challenge to the marketer. In this respect, methods, coverage, impact and cost effectiveness are some of the major decisional areas and have been covered in the first Unit of the block.

The Unit two emphasizes how advertising in modern times prevails and has acquired the distinction of being most visible and impactful method of marketing communication. While the importance of considering sales promotions are discussed. .

In Unit three personal selling methods its inception, growth, relevance and its indispensable nature is discussed. Being the oldest and most reliable method managed by company personnel. The issues of managing these personnel by way training, motivation, growth and development is at the core of the unit.

The focus of the last Unit of this block is “Place” i.e. the distribution activities and all its functions. Distribution is one link in the chain, which starts from suppliers to manufacturers and finally to the point of sale in reaching the customer.

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UNIT 9 INTEGRATED MARKETING COMMUNICATION

Objectives

After studying this unit you should be able to:

- understand the concept of communication, marketing communication and its role
- acquaint the marketing communication ecosystem
- appreciate how marketing communication works
- identify various integrated marketing communication tools and their applicability
- recognize factors affecting selection of IMC tools

Structure

9.1 Introduction

9.2 Communication and its Process

9.3 Marketing Communication and Promotional Mix Elements

9.4 The Integrated Marketing Communication and its Tools

9.5 The IMC Planning Process and Budgetary Considerations

9.6 Factors Affecting an IMC Strategy

9.7 Emergence of Social Media Revolution on IMC

9.8 Demand Creation Role of IMC

9.9 Stakeholders of Marketing Communication Industry

9.10 Summary

9.11 Key Words

9.12 Self – Assessment Test

9.13 Further Readings

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9.1 INTRODUCTION

- Can you recall the product when you listen to '*Tandrusti Ki Raksha Karta Hai ……?* Yes, it is Lifebuoy soap.
- We receive SMS messages on our mobile phone or on WhatsApp from banks or retailers informing us about various offers or schemes. Why do they keep sending unsolicited messages on a continuous basis? Have you given a thought for the purpose of sending us these messages?
- When you hear *'Apki Apni Dukaan',* which online shopping website comes to your mind? Yes, it's Amazon.
- Have you noticed a 'MRF' sticker on the Indian cricket team Capitan's bat while watching a match on television or live? Sure you must have noticed but you did not felt the need to know why it is there?
- Very often you come across a well dressed salesman greeting when a potential buyer enter a motorcycle or a car showroom for buying a vehicle. The salesman explains the highlights of the vehicle, focuses on the key features, demonstrates and finally he may take for test drive too. Have you or any of your family members experienced this?

Well, the answer in all the above situations is an affirmative **"Yes"**, there may be many more such situations or instances where you must have experienced that a company or brand is trying to contact you with their products or services so that you may buy and use them. If you carefully look into the above situations there is one thing in common i.e. all the marketers or firms were communicating with you using different methods in order to inform or remind or convince you to buy the products or services offered by them.

In the field of marketing, the communication between a brand and a company with its potential or existing customers is known as Promotion (or Marketing Communication. As you are aware that promotion is one of the key elements of marketing mix while the methods so used or employed for communicating are called elements of promotion mix.

By now, you are acquainted with the elements of marketing mix which are also referred as 4Ps of marketing *viz*. Product, Price, Place and Promotion. Promotion being one of the key elements of 4Ps, promotion and does play a very significant role in the marketing process.

Promotion mix constitutes of four elements namely ***Advertising***, ***Publicity, Sales Promotion*** *and* ***Personal Selling***.

Each of these promotional mix elements are well defined techniques and has their own role, purpose and significance in the entire marketing communication process. Primarily advertising helps a company or a brand to reach out to the mass market; publicity is useful to create a positive image of a product or service or even a firm in the minds of its customers. While sales promotion is the only method which is conceived by the firm that makes use of incentives both for customers and business partners to encourage purchase or sale of the products or services for a specific period. In order to promote and sell technical or industrial goods or services, personal selling is the only and also the most commonly used method of promotion by firm.

Historically, during late eighties it was observed and found that companies started looking at marketing communication process with a broader perspective. This outlook had led to the strategic integration of all the elements of promotion mix thus complementing and supplementing in the overall marketing communication process needs of every business enterprise. Besides, the strategic integration of other marketing activities (such as event marketing, sponsorships, BTL activities, digital marketing etc.) are initiated to send consistent messages to the potential or existing buyers of a company's products or services. This well coordinated and integrated communication effort used by a company to create a uniform image of its products or brands is known as Integrated Marketing Communication (IMC).

The rapidly changing tastes and preferences of consumers at all levels has a direct bearing on the current business environment which is highly competitive comprising of the regional, national and global brands being available with a wide range of merchandise and choice to suit every customer segment. In such a scenario the new or evolving customers are highly demanding knowing what they want, when they want, how they want and at what price they want with a strong bargaining power knowing fully aware that there several product or service options available to them.

In such a market scenario, the role of Integrated Marketing Communication (IMC) and its techniques become very important and handy to monitor and manage the complex interplay between the consumers and the wide range of merchandise that is available to choose from. This

unit helps the reader to understand the concept and role of IMC, its tools, various stakeholders of IMC industry etc. However, let us first try and understand what communication is all about and how it works in business.

9.2 COMMUNICATION AND ITS PROCESS

Smith, Berry and Pulford (1997) defined communication as dissemination of information from the mind of one individual to another for example, when we talk to others either in-person or over mobile phone, when we send a message to our friend over WhatsApp, when we send an e-mail to our client or when we make a call to customer care of our bank or health insurance company, communication is taking place indeed. Communication helps to exchange information, ideas, views or feelings etc. Any communication process consists of eight essential components *viz.* a) Sender, b) Message, c) Channel, d) Receiver, e) Feedback, f) Environment, g) Context and h) Noise. Figure 1 shows various elements of a communication process.

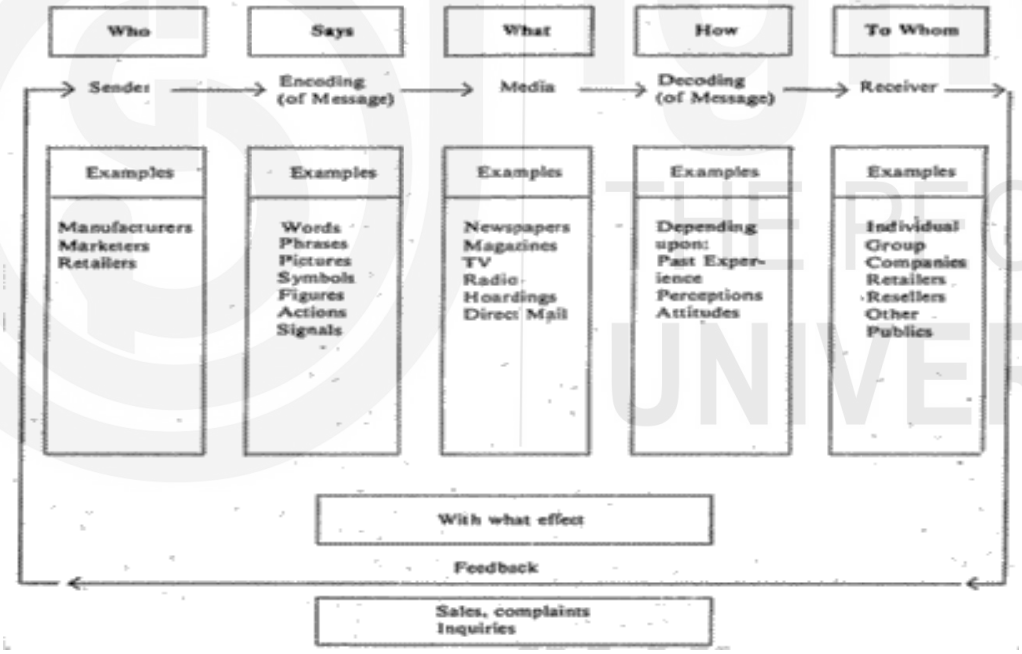

Figure 1: The Communication Process and its Elements

Source: Adapted from Philip Kotler, Marketing Management-Analysis, Planning and Control (1971) and Ralph M Gaedeke and Danish M Tootelian, Marketing: Principles and Applications (1983)

A sender (also known as source) begins the communication process by preparing and sending the message. A message is the stimulus created for the receiver or audience. In order to make the message available to the receiver, a channel is used. It is actually the way in

which a message travels between source and receiver. The receiver, after getting the message from the sender, analyzes and interprets it and, responds to it which is called feedback. A communication process is completed only when the receiver gives feedback to the sender.

By now you are aware of a communication process; can you relate it to a marketing context? We all daily receive information and details about products or services through newspapers, TV, radio, hoardings on main roads, mobile phone, social media etc. In this way, a company or a brand communicates about the products or services to its potential or existing consumers. In marketing, this communication between a company and its consumers is known as marketing communication. It is aimed to inform or remind or persuade the target consumers so that they buy the company's products or services.

9.3 MARKETING COMMUNICATION AND PROMOTIONAL MIX ELEMENTS

As explained in the previous section, in any communication process several elements and steps are involved. In the context of marketing communication, a manufacturer or company or brand is the source (or sender), while prospective or existing consumers are at the receiver of the communication. Message is the product information or details which are to be communicated to the target group in a creative and interesting way. The channel is various media options such as newspapers, TV, radio, magazines, hoardings etc. which can be used to reach the target audience. The success of a marketing communication activity depends on a company's ability to convey the message effectively in a manner in which the customers should understand and interpret the intended message. A marketing communication is considered effective if it achieves its objectives such as increased sales, improved brand recall, increased awareness etc. This is equivalent to the feedback, as discussed in the process of communication.

Having accepted as one of the important 'P's of marketing mix, marketing communication is synonymous to Promotion and the elements include (Advertising, Publicity, Sales Promotion and Personal Selling) which are employed by the firm for the purpose of awareness creation, image building, and for sales all the four methods constitute promotional mix elements. Every one of us does come across various promotional mix elements on a daily basis. When we read newspaper in the morning or watch news channel or watch our favorite TV show or watch music videos on YouTube, or visit a nearby shop or store to buy some product, when we go to a

shopping mall for shopping or entertainment, the hoardings on the street, wall paintings, banners, posters while traveling by road; we come across these elements of promotional mix viz. Advertising, Publicity, Public Relations (PR), and Sales Promotion messages etc. The committee on definitions of the American Marketing Association defines these components as under:

Advertising: Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. In simple words, advertising publicises about the availability of products or services to target group. It is a paid communication as the money is expended on crafting the message or buying media space and non-personal method because there is no one to one interaction between the company and consumers. Further, there is always a person or the company behind responsible for the advertisement. We come across this element daily in the form of advertisements in newspapers, magazines, hoardings, TV, radio etc.

Publicity and Public Relations (PR): Non-personal stimulation of demand for a product, service or business unit by generating commercially significant news about it in published media or obtaining favorable presentation of it. Unlike advertising, this form of promotion neither is nor paid for by the sponsor. It involves managing meaningful associations with the consumers, stakeholders, media, employees, vendors etc. to manage public's perception about a brand or company. It involves news releases, press conferences, media kit, social media pages etc.

Personal Selling: Verbal presentation in a conversation with one or more prospective buyers for the purpose of making sales. We come across this element when we visit an electronics or automobile showroom and, a person comes to us saying: 'Sir / Ma'am, Welcome! How can I help you?' or, when a salesperson rings the bell at our home and briefs us about a company's products and try to persuade us for trying that product.

Sales Promotion: Are those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer efficiency by way of coupons, contests, discounts, gifts and non-routine selling efforts. These are usually short-term activities. Each of these promotional mix elements is used by a company or brand to achieve a specific objective. Table 1 summarizes the strengths and limitations of various elements of promotional mix.

Elements of Promotion Mix	Strengths	Limitations
Advertising	Mass reach, Control over message, non-personal, Inexpensive per contact	Require huge budgets, One way, Hard to measure results, Cluttered
Publicity and PR	Mass reach, Inexpensive, Creates goodwill, Highly credible	Less control over message, Hidden costs, Difficult to measure results, No direct impact on sales
Personal Selling	Immediate feedback possible, Highly targeted, Interactive, Customizable, Useful in persuasion	Expensive per contact, Limited scope
Sales Promotion	Mass reach, Direct impact on sales, Measurable results	Expensive, Easy to imitate, May have negative effect on brand image in done regularly

Table 1: Relative Strengths and Limitations of Promotional Mix Elements

(Source: Adapted from Rachman, David J., and Elaine Kotary Romano. Modern Marketing. Dryden Press, 1980)

As discussed, each element of promotional mix has its relative advantages and limitations and, each element is employed to solve a specific purpose of marketing communication with the target group. However, with the changes in consumer behavior over time, companies or brands started looking at marketing communication with a broader perspective. Furthermore, the emergence of new technology and media options made marketers to shift their focus towards a more comprehensive promotional approach. This comprehensive, well-coordinated and integrated communication effort used by a company to create a uniform image of its products or brands is known as Integrated Marketing Communication (IMC). The acronym IMC is now become the buzz word and is being replaced by the traditional Marketing Communication term to convey the purpose and message by firms to the target market and marketplaces respectively.

Activity 1

Suggest a suitable promotional mix for each of the following products or services. Assume that budget is not a constraint for marketing these products or services. Justify your answers.

1. Ayurvedic Toothpaste
2. Lubricating Oil for Industrial Use
3. Electric Bike
4. Laptop

9.4 INTEGRATED MARKETING COMMUNICATION AND ITS TOOLS

In simple words, Integrated Marketing Communication (IMC) brings together all the tools of marketing communication to direct consistent messages to a firm's consumers. It is the strategic integration of all the elements of promotional mix and other marketing activities (such as event marketing, sponsorships, BTL activities, digital marketing etc.) to send consistent messages to the buyers of a company's products or services.

According to Smith, Berry and Pulford (1999), IMC is: "The strategic analysis, choice, implementation and control of all elements of marketing communications which efficiently, economically and effectively influence transactions between an organization and its existing and potential customers, consumers and clients."It is strategic because it is affected by the way in which an organization aims to achieve its long-term goal. An IMC process carefully chooses, execute and manage various elements to influence customers' buying behavior". IMC may also be defined as a process that involves planning, conception, integration and implementation of a variety of marketing communication activities to influence the behavior of the target group. Let us understand it with a simple example.

Assume that a company manufactures gearless scooters and has recently launched a new model by the brand name 'Drivo'. You happen to see their full-page advertisement in the morning newspaper. On your way driving to your office, you notice a big hoarding while waiting at a traffic signal. Further, while surfing your social media account during lunch at office, you come

across a pop-up ad of 'Drivo'. While leaving office for home, you see that a guy is sitting beside a canopy tent which is installed in the parking of your office building. On close observation you find the newly launched 'Drivo' inside the canopy tent. Finally, at home, while watching cricket match on TV, you see a 30-sec advertisement of 'Drivo' during commercial break.

The above is a hypothetical example to explain how a brand makes all attempts to reach their potential market segments with messages and being visible by using all the elements of the promotion mix. This explains clearly what IMC is all about. In this case, the company was using a combination of various tools (Advertising, Digital Marketing, and BTL activity, Outdoor etc.) to communicate to their potential consumers in awareness creation about the brand Drivo and to persuade them to consider purchasing.

Table 2 ***illustrates major Integrated Marketing Communication (IMC) tools and relevant elements / examples of each.***

IMC Tools	**Elements / Examples**
Media Advertising	Newspapers, Magazines, TV, Radio etc.
Direct Marketing	Mails, E-mails, Telephone, Fax, Catalogs, Brochures, Home Shopping Shows etc.
Digital Marketing	Internet (or Online), Social Media, Mobile, Website, Search Engine, OTT etc.
OOH (Out of Home)	Billboards, Posters, Banners, In-Transit Ads, Cinema, Wall Paintings, Glow Sign Boards etc.
In-Store or POS Advertising	External and Internal Store Signs, Shopping Cart Ads, In-Store Radio and TV etc.
Sales Promotion	Samples, Coupons, Exchange Offers, Refunds / Rebates, Contents, Lucky Draws, Quality and Quantity Discounts, Trade Promotions, Volume Discounts, Referral Codes
Event Marketing and Sponsorships	Sporting Events, Fairs, Festivals, Sponsoring Causes, BTL Activities, Mela etc.
PR and Publicity	Helps professionally handling a positive public image by the company that helps in maintaining good relations with the public.

	While Publicity, tries to inform some interesting news to the public.
Personal Selling	Personal selling occurs when a sales representative meets with a potential client for the purpose of transacting a sale.

Source: Adapted from Lane Keller, Kevin, "Mastering the Marketing Communications Mix: Micro and Macro Perspectives on Integrated Marketing Communication Programs," (2001): pp. 819-847.

Each IMC tool has its own strategic and tactical importance in the whole marketing communication process and promotional efforts pertaining to the firm's product or service offering. However, when all these tools (as depicted in Table 2) are used in the right combination and proportion, then the impact of the communication will be visible and its effectiveness becomes measurable.

Let us now look at each of the IMC tool and understand their role and importance in brief:

a) Media Advertising is generally best suited for products or services targeted at mass markets and require huge budgets. It is one-sided communication and hence, customer feedback is not received. We regularly come across advertisements in TV, radio, newspapers, magazines etc. which falls under the category of Media Advertising.

b) With the advent of new emerging communication and mobile technologies advertising through modern media viz. internet, social media, mobile etc. is gaining momentum. This falls under the category of Digital Marketing.

c) While you travel by road, then you are bound to come across various hoardings, banners, wall paintings, advertisements on buses or taxies etc. This is another important IMC tool and known as OOH (Out-of-Home). OOH is mainly useful for local or regional brands which intend to promote their offerings and wish to persuade consumers of that town or region to buy them.

d) Further, you must have seen wall hangings, posters, in-store banners while visiting shopping mall, departmental stores. This is another element of IMC tools i.e. Point-of-Sale (POS) Advertising. They are helpful to trigger impulse purchases of the products or services of different brands which are available at the store for sale.

e) As an IMC tool, sales promotion is another important element which is helpful in generating immediate sale. It is defined as 'short term incentives given to customers and channel partners to boost sales'. Promotional messages related to offers such as *Buy 2, Get One Shirt Free, 20% Off on 'X' Pizza Brand, Exchange Your Old Watch with New 'Y' Watch* etc. are some of the examples of sales promotion activities initiated by a company or brand to create desire in the customer's mind so that he / she buys the product or service.

f) Further, events are great way to socialize and reach to the masses to inform and persuade the target audience. They may be of various types ranging from charity, shows, cultural events, games & sports and corporate events or celebrations etc each of these serves a different goal. Similarly, sponsorship is financial association of a company with other companies or events. It helps to create cross media ties and, in forming and endorsing the brand image and values. For example, MPL Sports is the new kit / apparel sponsor for Indian cricket team.

g) Another IMC tool, personal selling is generally used for selling or promoting technical, industrial and referral products or in an institutional selling scenario.

In short, each IMC tool plays an important role in overall IMC strategy of a company or brand to deliver a unified, consistent message to its target audience. And, in today's business scenario, IMC is inevitable because no company or brand can survive by using only one or two promotional tools to send consistent communication to prospective or existing customers

Does IMC Really Help? *Keep reading the below paragraph and recall your school /student days…….*

Have you tried the magnifying glass and sun experiment in your childhood? When we hold a magnifying glass under the sun, it concentrates the sun's light onto a small area and makes the sun's heat much stronger. This may make a flammable object burn. This small experiment explains the importance of IMC in a very simple way. In a marketing communication scenario, IMC acts as a magnifying glass which integrates various marketing and promotional tools to ensure synergy and avoid duplication. ***Indeed it does help the firm……***

An IMC strategy integrates various marketing communication tools to maintain communication consistency and ensure resource optimization. There are different online and offline

communication tools which make a communication about a product or service to reach out to target group in many ways. In order to ensure clarity of a brand's message about a product / service, integration of all the tools becomes crucial. The importance of IMC approach is growing continuously consistently both among the large as well as small firms. It's being adopted among the marketers of both consumer as well as B2B products and service businesses. IMC is really helpful as it makes a firm's marketing communication program more efficient and effective. An IMC strategy offers several benefits such as it ensures consistent and clear communication, optimizes resource utilization, avoids replication, helps to have competitive edge and consolidates a brand's image and public perception also.

9.5 THE IMC PLANNING PROCESS AND BUDGETARY CONSIDERATIONS

An IMC process involves six steps as depicted in Figure 2. Any IMC planning process begins with situational/ contextual analysis. Various tools such as SWOT / TOWS analysis may be used to analyze the external and internal environmental factors. Once situational analysis is carried out, it is important to decide on target market or group and identify the reasons for which customer will purchase a company's products or services. The next step of the IMC planning process is setting the marketing communication objectives. These may be increasing brand awareness, enhancing brand image, changing customer beliefs and attitude, influencing purchase decisions etc.

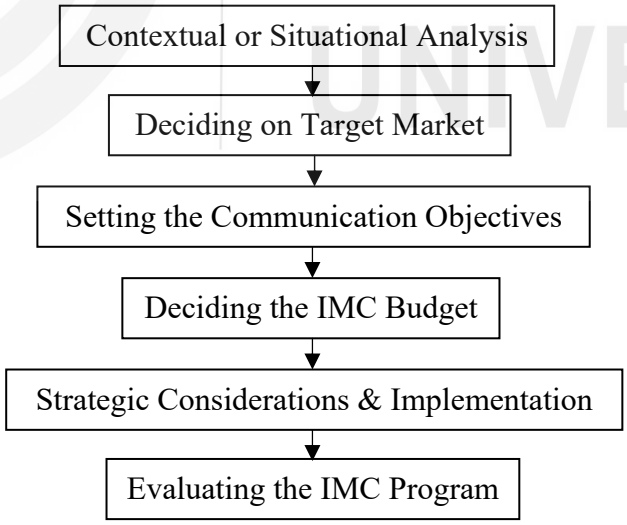
Contextual or Situational Analysis
Deciding on Target Market
Setting the Communication Objectives
Deciding the IMC Budget
Strategic Considerations & Implementation
Evaluating the IMC Program

Figure 2: The IMC Planning Process

(Source: Adapted from Belch, George E., and Michael A. Belch. "Advertising and promotion: An integrated marketing communications perspective 6th." New York: McGraw-Hil l (2004))

Once objectives are chosen, deciding on budget is the next crucial step in the IMC planning process. The promotion budget not only influences the level of promotional activity but also, the promotional mix used by the firm. A company may either use percentage of sales or profits, competitive parity for deciding the IMC budget or even identify tasks to be performed as per the set communication objectives and calculate the budget accordingly. After the finalization of objectives and budget, it becomes important to develop and implement specific strategies to accomplish these objectives. This is the fifth step of the IMC planning process. The final step of the IMC planning process is assessing the IMC program. It enables a marketer to understand what worked or didn't work so that the same can be taken into consideration in future.

9.6 FACTORS AFFECTING AN IMC STRATEGY

Careful selection of IMC tools and more carefully designing a suitable IMC strategy is vital and depends on a number of factors. While one company or brand may use advertising and publicity prominently, other may rely on sales promotion and POS advertising or may be combination of other IMC tools. The choice of a specific or a combination of IMC tools is determined by several factors such as:

- Product or Service Category
- Target Group Characteristics (Demographic, Geographic etc.)
- Budgetary Constraints
- Stage in Product Life Cycle (PLC)
- Regulatory Considerations etc.

Product or Service Category: Selection of IMC tools mainly depends on the type of product or service category. Products or services which are technical or industrial (Ex. machinery, gear boxes, medicines) in nature or require high involvement would necessitate personal selling while advertising and sales promotion are best suited for convenience, low involvement product categories (Ex. biscuits, shampoo, hair oil, confectionaries etc.). We watch television or read newspapers daily. What kind of product or service advertisements have you observed? Can you recall? You would have seen advertisements of automobile brands (cars, two wheelers), jewelry,

hair care products, wellness products, health supplements and educational institutes etc. Have you ever seen advertisements related to industrial lubrication, industrial machinery etc. in newspapers, television or heard on radio about such products or services obviously not? It is because selection of an IMC tool depends on type of product or service.

Target Group Characteristic: Factors such as demographic (age, gender, income, marital status, education etc.) and geographical characteristics (urban, semi urban, rural etc.) of target market assume a very significant role in designing the IMC strategy for a brand. For example, for a product or service category targeted at young consumers, IMC tools such as media advertising, direct marketing etc. are most suitable. Similarly, when the target market for a product or service is rural consumers, IMC tools such as wall painting, Below the Line Marketing (BTL) activities etc. are most relevant due to low literacy levels and exposure.

Budgetary Constraints: The budget outlay and availability of funds with the firm is another factor which determines selection of IMC tools and strategy. Media advertising requires huge budgets while PR and publicity are considered to be free of cost. It also affects the reach and frequency decisions. Multi-National Companies (MNCs), big corporate groups have huge IMC budgets while small firms, start-ups have limited budgets and hence, IMC tools are chosen very intelligently taking into considerations the cost benefits analysis and the pros and cons of each of the selected tool.

Stage of Product Life Cycle (PLC) and Regulatory Considerations: The stage of the PLC of the brand and its readiness and other allied factors of product or service offerings are essential and should be considered accordingly. In addition the regulatory considerations also play an important role in selecting appropriate IMC tools. As the objective of marketing communication changes with the PLC stage, the IMC tool need to be selected accordingly. For instance, when a product is in introduction stage, the company's or brand's objective is to make consumers aware about the product, its uses. In such case, media advertising and publicity is considered most suitable and relevant. A brand may also consider sales promotion to let people try the newly launched product or service.

Furthermore, government regulations also affect the choice of IMC tools and strategy. For example, media advertising, direct marketing, out of home (OOH) etc. are prohibited for pharma products or services in India. Therefore, they use personal selling (referrals from doctors or

specialist) to promote the products or services. In the same way, adverting of tobacco and alcohol is banned in our country. Hence, companies or brands of such products or services use other means (such as surrogate advertising) to reach out to prospective and existing customers. For example, Imperial Blue is an Indian alcoholic beverage brand. Since it cannot be promoted directly due to government regulations, they promote their music CDs under the campaign *'Men will be Men'* to remain as a brand in their customers' mind.

Activity 2

1. Pick up any two consumer brands and any two industrial brands of your choice. Discuss how each of these brands uses IMC to deliver consistent and integrated messages. Do you find any difference in the IMC strategy of an industrial product when compared to a consumer product? If yes or no Explain.

9.7 EMERGENCE OF SOCIAL MEDIA REVOLUTION ON IMC

Marketing has changed drastically since the last decade and a half due to the emergence of social media. It has provided new tools to reach out to potential customers by having an in-depth understanding of their habits, perceptions and preferences. Marketing Analytics, Big Data, IOT, Social CRM, Automation, Chat bots, User Experience (UX) Marketing etc. have taken marketing to the next level.

With reduced technology costs and the increased internet penetration, social media marketing offers many appropriate solutions. The way businesses relate with their customers has changed radically. The new and evolving consumers of today are bounded by online tools and technologies. This has made brands to include email, websites, online PR, search engine marketing, blogs, social networks, and social media advertising etc in their marketing toolbox.

Furthermore, content marketing, online communities, mobile marketing and virtual reality also play a crucial role in overall IMC strategy.

9.8 ROLE OF IMC IN DEMAND CREATION

Any IMC activity plays a significant role in creating demand for products and services. It is important for a marketing professional and marketers to understand and appreciate the demand creation role of IMC. The consumer response hierarchy models which you are familiar with do offer meaningful insights into the consumer responses and buying process which finally lead to the demand of a product or service. There are four key consumer response hierarchy models that demonstrate consumers' behavior across three stages i.e. cognitive, affective and conative. The key hierarchy models are:

a) AIDA Model,

b) Hierarchy of Effects (HoE) Model,

c) Innovation Adoption (IA) Model and,

d) Information Processing (IP) Model.

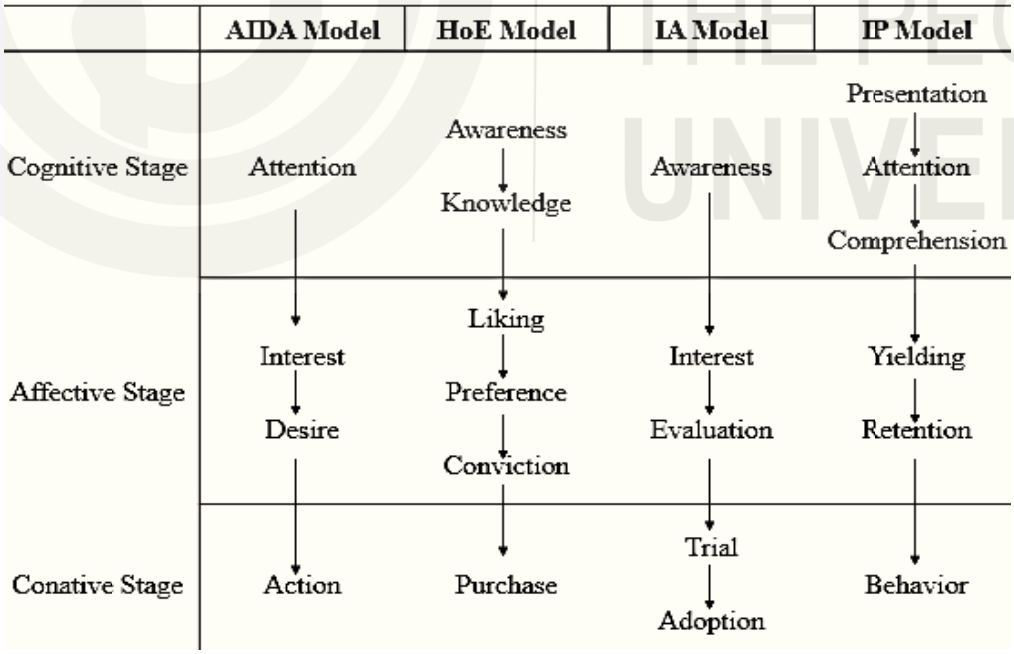

Figure 3: Several Consumer Response Hierarchy Models

(Source: Adapted from Barry, T. E. "The Development of the Hierarchy of Effects: An Historical Perspective." Current Issues and Research in Advertising, Vol. 10, No. 1-2 (1987): pp. 251-295)

'AIDA model constitute the most basic consumer response hierarchy model. The acronym stands for Attention Interest Desire and Action respectively. It suggests that a marketing communication effort should first grab a consumer's *attention*, generate his / her *interest*, create *desire* and finally, motivate him / her to take *action* for purchase.

The model of Hierarchy of Effects (HoE) illustrates a series of sequential steps through which a consumer undergoes to make an actual purchase. Developed by Lavidge and Steiner (1961), Hierarchy of Effects is the most recognized consumer response hierarchy model in IMC literature. Let us understand this by a simple example. Assume that you are an communication manager of a toothpaste brand *Smiley*. You want your target audience to purchase *Smiley*. According to HoE model, you need to first ensure that target customers are aware of the brand *Smiley*, through your integrated marketing communication efforts. It is also obvious that *Smiley* is not the only toothpaste brand available in the market. Instead there would be a wide range of tooth paste brands that customers are aware of such as *Shiny, Whity, Senso* etc. Therefore, all the efforts of IMC should aim at targeting and communicating benefits and positive attributes of your brand so that customer may evaluate your offering against the available options in the market.

At the next level, the brand should ensure that the customers should get emotionally attached with the brand and start liking it. Once, the potential customer reaches this stage, the efforts of IMC for *Smiley* should now be focused on creating differentiation and highlighting the USP of the product. At this stage, the brand should ensure that customer prefer *Smiley* over other available options in the market. Subsequently, the IMC efforts of brand *Smiley* should trigger action i.e. conviction and finally purchase. A level of trust should be built by the brand, by focusing on quality and usefulness through its IMC strategy. This will help to clear the doubts (if any) in customers' mind which will finally lead to the purchase of *Smiley*.

In a similar way, the two other models i.e. Innovation Adoption Model (IAM) and Information Processing (IP) Model also describe several steps or stages which a target customer goes through to act favorably towards a product or service adoption. The IAM model represents the stages through which a consumer passes and finally adopts an innovation or a new product. This model works on the Diffusion of Innovations theory. To summarize, all these models offer

clarity on the response that is stimulated from a consumer at different stages of his / her journey, starting from unawareness to the final purchase of a product or service.

9.9 STAKEHOLDERS OF IMC INDUSTRY

Let us now try to understand and appreciate the several stakeholders of the marketing communication industry and their respective roles. The eco-system of an IMC industry primarily involves the manufacturer (the brand), target audience (potential or existing customers), advertising agency, media house and regulatory (including self-regulation) bodies.

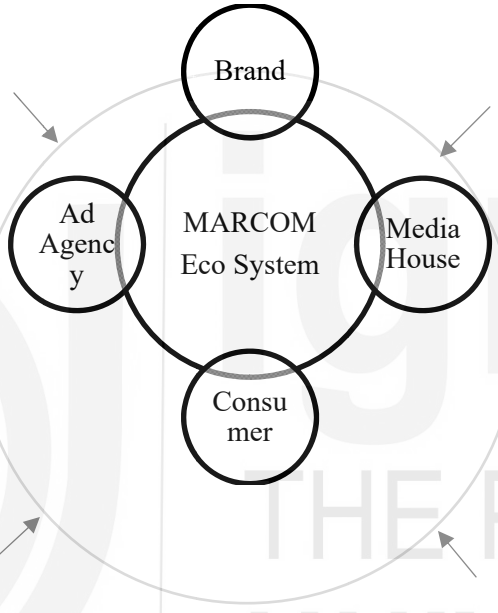

Figure 4: The IMC Eco – System (created by Author)

A brand or a company (for example Reliance Jio, Maggi, Levis etc.) is a key stakeholder which manufactures the products or services and offers to market for sale and earn profit. Their core competence is producing and delivering the products or services, therefore they outsource the marketing communication activities to advertising agencies. An ad agency is an independent service organization responsible for creating, developing, producing, placing and managing marketing communications activities for its client i.e. a manufacturer (or a brand). The advertising agency offers fair and unbiased views and vision on product / service and the prevailing market conditions and offer appropriate IMC solutions accordingly. It brings in required professionalism, expertise and competence as well. There are various types of ad agencies catering to a wide and diversified clients/firm's based on

the size, nature and specialization of the client firm, The advertising agency may be a full – service (one-stop solutions), or a specialized agency (offers particular services only), a creative boutiques (offers creative solutions only) and media buying agencies.

Media houses (or groups) constitute another significant stakeholder of IMC eco-system. While ad agencies are responsible for developing a creative message for a brand / company to make customers aware and to convince them to buy the product or service, a media house provide required channel or vehicle to carry this creative message to the prospective or existing customers. These channels employed may be various media options such as print, broadcast, OOH, online, digital or combination of any of these mentioned above. Last but definitely not the least customers (existing or prospects) are to be considered as one of the important stakeholder of IMC industry. Customers buy and adopt a company's product, brand or a service and try and consume them. A brand's IMC strategy is prepared only on the basis of the insights obtained from its target audience with an objective to inform, remind and persuade them to buy a company's market offerings.

Activity 3

1. Visit the website or social media page of any two advertising agencies (for example, Ogilvy India, Lowe Lintas, DDB Mudra etc.) and two media groups (for example, HT Media, The Times Group, DB Group etc.). Identify what type of services this ad agencies and media group's offer, who are their clients, and report the major tasks that they have undertaken in the recent past 5-10 years.

Besides, the various stakeholders discussed above, government regulatory bodies and self-regulatory organizations (represented by arrows in the Figure 4) are equally important to protect the interest of other stakeholders of the industry, especially the consumer. Advertising Standards Council of India (ASCI) is one such self-regulatory body consists of advertisers, advertising agencies, media, PR agencies and market research companies. ASCI's goals include monitoring, administering and promoting standards of advertising practices in India. The activity below will enable you to know more about ASCI.

Activity 4

1. Visit the website or the social media page of Advertising Standard Council of India (ASCI). Explore the role and responsibilities of ASCI and their contribution to the IMC ecosystem.

9.10 SUMMARY

Communicating with target customers is key to the success of every business. It is one of the important elements of a firm's marketing mix decisions and known as promotional mix or marketing communications. It includes advertising, publicity, sales promotion and personal selling. Furthermore, Integrated Marketing Communication (IMC) refers to a comprehensive approach of using several communication tools to inform, aware, remind, persuade and influence a consumer's attitude and buying behavior. Marketing communications (or Integrated Marketing Communications) play a key role in creating demand for a products and services. The marketing communication task should aim at targeting the right consumer segment in creating awareness and engaging and educating consumers will in turn positively affect the demand for product or service being offered to the market. The consumer response hierarchy models are important frameworks which explain consumer responses and behavior to a marketing communication

process. Choosing an appropriate IMC strategy depends on various factors and is a crucial decision for a brand's success and business sustainability.

9.11 KEY-WORDS

AIDA: Acronym for Attention, Interest, Desire and Action. It identifies stages an individual undergo during the buying process for a product / service

ASCI: Acronym for Advertising Standards Council of India. It is a self-regulatory voluntary organization, committed to the cause of self-regulation in advertising, ensuring the protection of the interest of consumers

ATL Activities: Above the Line Activities. They focus at directing the communication towards the mass market

BOGOF: Acronym for Buy One Get One Free. A common sales promotion strategy used by retailers

BTL Activities: Below the Line Activities. They are more focused and directed towards a specific set of consumers

Digital Marketing: The act of promoting and selling products / services by leveraging online marketing tools

Hierarchy of Effects: A consumer response model which suggests stages viz. Awareness, Knowledge, Liking, Preference, Conviction and Purchase for influencing a consumer's decision

Integrated Marketing Communications (IMC): A 360-degree marketing communication strategy which combines several tools to provide clarity, consistency and optimum communication effect

Primary Demand: The overall demand for all the brands in a particular product category

Secondary Demand: The demand for a given brand in a particular product category

Self-Regulation: An organization regulating itself without involvement from an external body

Surrogate Advertisement: An advertisement that duplicates the brand image of one product to promote another product of the same brand.

9.12 SELF–ASSESSMENT TEST

1. Advertising is generally a better promotional tool as compared to sales promotion if you want to close a sale. (True / False)
2. Building good relations with the firms' various publics (internal employees, external customers, other companies, the government and media) by obtaining positive publicity, building up a good corporate image and handling or heading off unfavorable rumors, stories and events is called as _____.
    a) PR Activity
    b) CRM Activity
    c) Sales Promotion Activity
    d) Relationship Building Activity
3. Understanding buyer's behavior is important for the success of an IMC program. (True / False)
4. The major criticism of Hierarchy of Effects models is that they assume consumers move through the decision - making stages in a consistent, rational manner. (True / False)
5. Which of the following is generally neglected through the use of advertising?
    a) Immediate Feedback
    b) Low Cost / Contact
    c) Reaching Masses
    d) Creating Brand Image
6. Colley's DAGMAR principles relate to which method of setting advertising budgets.
    a) Bottom Up Approach
    b) Affordability Method
    c) SOV
    d) Competitive Parity
7. Consumers normally pass through a buyer-readiness process as they reach a decision to purchase a product or not. Which of the following stages is not typical of buyer-readiness process?

a) Preference
b) Awareness
c) Conviction
d) Post Purchase Evaluation

8. Garvit called Maya on the telephone to present information about a meal plan package his company was offering. Maya responded unfavorably to his description of the offer, so Garvit modified the message. Which characteristic of personal selling did Garvit benefit from in this scenario?
    a) Ability to Target Specific Markets
    b) Ability to Respond to Immediate Feedback
    c) Relationship Building
    d) None of These

9. A company's customers, which deals with premium products, are confined to a specific geography. The company should use:
    a) Advertising
    b) Personal Selling
    c) Sales Promotion
    d) Events

10. In case of industrial products, heavy advertising and publicity is most appropriate promotional tool. (True / False)

(Answers: ***1. False, 2. PR Activity, 3. True, 4. True, 5. Immediate Feedback, 6. Bottom Up Approach, 7. Post Purchase Evaluation, 8. Ability to Respond to Immediate Feedback, 9. Personal Selling, 10. False)***

11. Discuss the role and importance of feedback in the communications process with a suitable example of your choice.
12. List out the key considerations that a marketer should consider while choosing an advertising agency in the following situations:
    a) launch of a new innovative premium writing instrument (Ink pen)
    b) chain of south Indian fast food joints operating in north India

13. Organizations are gradually sensing the necessity of becoming more integrated in their marketing communications efforts. Discuss by taking an example where you have been a part of the integration process or may have personally observed the said integration.
14. How consumer sales promotion is different from trade sales promotion? Discuss with suitable examples.
15. As advertising costs are relatively high, it is not cost efficient. Discuss.

9.13 FURTHER READINGS

- Kotler and Keller, Marketing Management, 15th Edition, Pearson Education India
- Bains and Sinha, Marketing, Asian Edition, Oxford Higher Education
- ShahKruti, Advertising and Integrated Marketing Communications, 1st Edition, 2015, McGraw Hill
- Moriarty, Mitchell and Wells, Advertising and IMC, 10th Edition, Pearson Education India

ignou THE PEOPLE'S UNIVERSITY

UNIT 10 ADVERTISING AND SALES PROMOTION

Objectives

After studying this Unit, you will be able to:

- appreciate the role and types of advertising
- list different kinds of advertising objectives
- learn how an advertising copy is developed
- explain how media planning is done
- describe the parameters used for measuring, advertising effectiveness
- explain the nature and role of sales promotion
- list different types of sales position and the sales promotion schemes
- learn about the growing importance of sales promotion in India.
- understand the process involved in planning sales promotions
- appreciate the need for integration among the different methods of promotion.

Structure

10.1 Introduction
10.2 How Advertising works?
10.3 Types of Advertising
10.4 Role of Advertising
10.5 Advertising Management
10.6 Advertising Budget
10.7 Setting Advertising Objectives-Indian Experience
10.8 Developing Advertising Copy and Message
10.9 Selecting and Scheduling Media
10.10 Measuring Advertising Effectiveness
10.11 Coordinating with Advertising Agency
10.12 Sales Promotion
10.13 Sales Promotion Objectives
10.14 Sales Promotion Methods
10.15 Planning Sales Promotion
10.16 Towards Promotional Strategy

10.17 Summary
10.18 Key Words
10.19 Self-assessment Exercises
10.20 Further Readings

10.1 INTRODUCTION

In modern times advertising prevails in all walks of human life. It has acquired the distinction of being the most visible and glamorous and impactful method of marketing communication. Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Some of the major marketing and communication functions performed by advertising today include to inform, entertain persuade, influence, remind, reassure and add value to the product or service advertised.

While sales promotion being a key element of promotion mix makes use of short term incentives to encourage purchase of product or service. Before going to touch upon the role of advertising and sales promotion and their managerial aspects, let us acquaint ourselves with how advertising and sales promotion works and their dimensions in overall marketing communication.

10.2 HOW ADVERTISING WORKS?

In order to perform the various marketing and communication functions listed above, according to Paul E.J. Gerhald, advertising moves through the following stages before accomplishing its purpose:

- it gets planned and brought into existence
- it is reproduced and delivered and exposed to people
- it is received and assimilated
- it affects ideas, intentions and attitudes

it affects buying and buying process

it responds to time (situation and repeated exposure)

it affects trade effort and supply

it affects product consumption

it changes sales and profits

it changes the market (size, quality mix, intensity

competition, trade relations, consumerism etc.)

10.3 TYPES OF ADVERTISING

- Depending upon the nature of the task involved, type of product represented or the focus of activity transacted, advertising efforts are grouped into various types. Let us take a few examples.
- Advertisements for machinery and machine tools form part of industrial advertising, and the ones for footwear, cornflakes or edible oil etc. the consumer advertising.
- The advertisements aimed at improving the corporate image are forms of corporate advertising and the ones promoting a company's products, the product advertising.
- Likewise, advertisements promoting the consumption of tea or carpets are called primary demand creating advertisements whereas those relating to specific brand such as Brooke Bond's `Tajmahal' or Nescafe', selective brand advertising is appropriate.
- Advertisement aimed at effecting immediate sale of the product advertised is called direct advertising, and the ones performing tasks like announcing the launch of the new product, building purchase intentions, creating interest in customers or changing their attitudes towards the product, are termed the indirect action advertising.
- The advertisements which are sponsored and paid for by the manufacturers are manufacturer advertising, and such advertisements whose costs are shared by the manufacturer and wholesalers or retailers are co-operative advertising. Co-operative advertisements aim at increasing the demand of a specific product of a manufacturer through a particular wholesaler or retailer.

- On the other hand, when a retailer advertises for his shop entirely on his own to attract traffic to his shop it is retail advertising.

In short, the major types of advertising are: industrial and consumer, product and institutional, primary demand and brand-demand, direct (sales) demand and indirect (awareness, intentions and attitudes) action advertising, and manufacturer, co- operative and, retail advertising.

10.4 ROLE OF ADVERTISING

In the pursuit of its purpose, the economic and social effects of advertising have become the subjects of continuing debate. A quick flavor of the arguments put forward on both the sides can be had from Table 1. The table presents two viewpoints, one considering advertising as an information disseminating utility function and the other viewing advertising as a source of market power.

On balance, advertising has carved an indispensable place for itself in the marketing mix of a firm. Philip Kotler very aptly refers to the following ***situations where advertising is likely to make greater contribution.*** The situations are:

- when buyer awareness is minimal
- when industry sales are rising rather than remaining stable or declining
- when the product has features normally not observable to the buyer
- when the opportunities for product differentiation are strong
- when primary instead of secondary motives can be tapped.

Are, there some **limitations** to the role of advertising? The answer obviously is in the. affirmative. Advertising, in the words of Richard H. Stansfield, cannot do the following:

- sell a bad product twice
- sell an overpriced or otherwise non-competitive product
- sell a poorly distributed product
- sell a seasonal product during non-season /out of season (significantly)
- sell products to persons having no use for them
- work overnight

... do the selling job alone.

During the late 80's the usefulness of advertising, which for long been accused as a capitalist tool and a bane of market economy, was realised by planned and communist economies too. While Yugoslavia, USSR, Poland and Hungary shed their hostility to advertising quite a few years ago, China welcomed advertisement propelled marketing and hosted the Third World Advertising Congress in Beijing during June 1987. ***The Economic Times in its marketing and advertising column reported that China's advertising expenditure in 1985 was around $ 200 million.***

Table 1: Role of Advertising – Two Views

Advertising - Market Power		**Advertising Information**
Advertising affects consumer preferences and tastes, changes product attributes and differentiates the product from competitive offerings Consumers become brand loyal and less price sensitive, and perceive fewer substitutes for advertised brands.	Advertising Consumer Buying Behaviour	Advertising informs consumers about product attributes and does not change the way they value those attributes. Consumers become more price sensitive and buy best 'value'. Only the relationship between price and quality affects elasticity for given product.
Potential entrants must overcome established brand loyalty and spend relatively more on advertising	Barriers to Entry	Advertising makes entry possible for new brands because it can communicate product attributes to consumers
Firms are insulated from market competition and potential rivals concentration increases, leaving firms with more discretionary power	Industry Structure and Market Power	Consumer can compare competitive offerings easily and competitive rivalry is increased. Efficient firms remain, and as the inefficient leave, new entrants appear the effect on concentration is ambiguous

Firms can charge prices and are not as likely to compare on quality or price, dimensions. Innovation may be reduced	Market Conduct	More informed consumer put pressures on firms to lower prices and improve quality innovation is facilitated via new entrants
High prices and excessive profits accrue to advertisers and give them even more incentive to advertise their products. Output is restricted compared to conditions of perfect competition	Market Performance	Industry prices are decreased. The effect on profits due to increased competition and increased efficiency is ambiguous.

Source: Paul W. Farms and Mark S. Aibion. The impact of Advertising on the Price of Consumer Products Journal of Marketing (Summer 1980) pp. 17-335.

10.5 ADVERTISING MANAGEMENT

Advertising constitutes one of the four components of a firm's promotion mix which in turn forms an integral element of the firm's marketing mix. In order to implement the marketing concept and to achieve the objective of integration among different elements of marketing mix, it is necessary that the advertising function be systematically planned.

In particular, the link of advertising with the promotion and marketing objectives of the firm on the one hand, and with factors like product positioning objective, role of sales force, dealer support plan and the buying habits of consumers, on the other hand, must be clearly established. This link helps a firm to achieve the desired push-pull strategy objectives, and enables the product to have a distinct personality. The task involved in advertising is, therefore, complex and its management requires systematic decision-making. Charles Ramond advocates appropriate research to precede each stage of an advertising campaign.

The suggested types of advertising related research listed by Ramond are given in Table 4

Table 4: Advertising Campaign: Questions and Answers

To Make This Decision	One Must Choose A	Using
What To Say	Theme, Copy Platform	Concept tests
		Positioning
		studies
To Whom	Target Audience	Market Segmentation
		Studies
How to Say it	Copy Commercial	Copy Research
	Execution	Commercial Test
How Often	Frequency of	Studies of
	Exposure	Repetition
Where	Media Plan	Media Research
		Modes
How Much To Spend	Budget Level	Sales Analysis,
		Marketing Models

Source: Charles Ramond, Advertising Research: The State of the Art (New York: Association of National Advertisers, 1976), pp. 3-4.

In short, the basic decision-areas in advertising are:

- setting advertising objectives
- determining advertising budget
- developing advertisement copy and message
- selecting and scheduling media
- measuring advertising effectiveness

10.6 THE PROMOTION BUDGET INCLUDING THE ADVERTISING BUDGET

The advertising budget influences the level of advertising activity used by the firm. Budgeting for advertising is yet another area where a lot of subjectivity prevails regarding what is the right amount to be spent on the advertising activity.

Further discussion from here pertains to promotion budgeting comprising all the elements of promotion

mix including adverting. Pending any clear cut relationship between the promotion expenditure and the achievement of promotion objectives, recourse is made to certain rules of the thumb. These are:

- incremental promotional expenditure yields, incremental sales to a certain extent;
- a minimum level of promotion activity must be exceeded for promotion to have a meaningful effect. Often such a minimum level of promotion is set by the competitor or more appropriately by an average of the industry;
- promotion activities when well integrated with other elements of the marketing mix produce greater than the planned results.

The above discussion should not, however, lead us to understand that no attempts have been made to shed light on the inherent uncertainty shrouding the cause-effect relationship in this area of promotion budgeting. In fact, quite a few notable attempts, by the economists in terms of application of marginal cost and marginal revenue principle (additional promotional expenditure and additional revenue and profits made), and by marketing researchers through experimentation and model building approaches have been made. The substance of their findings is that results of the promotion function should be constantly monitored in order to establish more reliable parameters of cost-benefit relationships. Further, cost-benefit analysis should form the basis of the tradeoff before promotion budget is finalised by using any one of the following methods. These methods include per cent-of-sales methods, fixed-sum per wait, affordable funds, competitive parity, and objective and task method.

Percent-of-Sales: This method views promotion budget determination by linking the appropriation to a fixed percentage of sales of the company products. Such sales may relate to the previous year, an average of sales of the previous few years, projected sale of the next year or years or an average of the previous few years sales, as well as the projected sales of the next few years.

This method though simple to use fails to account for the changing promotional costs, and relating the appropriations made to the product-market needs. Particularly difficulties are faced if the sales curve of a company is not smooth, hence resulting in lower outlays for the years that follow the bad sales years. Also the forecasted sales realisations remain uncertain. The ways out attempted have been the adjustment provision of a fixed percentage to the average expenditure of

the: past (i.e., last year plus 15%), or use of this method in combination with the others that are discussed below.

Fixed-sum per unit: Very much like the per cent-of-sales, under this method the promotion budget is determined by allocating a fixed amount of money per physical unit of product for either past of future sales or a combination of the two. The only differentiating point of this method from the per cent-of-sales method is that the base for budgeting, instead of being rupee sales, is the number of product units sold or targeted to be sold. This method, thus, has almost the same strengths and weaknesses as the ones associated with per cent-of-sales method, namely, simplicity in the determination but arbitrariness in arriving at the percentage or per unit allocation.

Affordable funds: Continuing to think on the plane that promotion expenditure is one of those business costs which are desirable or avoidable as per the convenience of the top management, the funds for promotion are appropriated on discretionary basis under this method. No wonder then, that companies adopting this method find their promotion appropriations fluctuating from year to year depending on the top management's thinking for the year.

Competitive parity: Incorporating a measure of competitiveness in planning, this method guides the budget determination in terms of relativity to what the competitors are likely to allocate. Being a slightly more market-oriented method than the ones ' discussed so far, when based on the representative average of the industry promotion expenditure, it becomes a good norm to moderate the promotion expenditure of a company.

Objective and task method: This is one of the most scientific methods of budget determination. It approaches the budget exercise by first setting the specific objectives to be achieved. It then identifies the tasks involved in achieving the said objectives followed by ascertaining the costs involved in the performance of each task required. The result of the exercise is an estimation of the amount required for accomplishing the set promotion goals. Typical objectives might be to increase awareness say by 15% or increase message/theme recall say by 25%.

Indeed, it a good method as far as promotion budgeting for new products is concerned, or when a new thrust to the image of a company and its products is to be provided.

This method presupposes that objectives set are realistic and promotion results can be measured precisely. These assumptions continue to be the subject of unending debate at the one end, and of pursuit of research on the other: It is as a result of the continuing research that some models for promotion budgeting have been developed and are now being refined to be of practical utility to the marketer.

The practice: In practice most companies make use of more than one method for determining the promotion budget. The research into the practices of the companies in India in this regard revealed the above finding. Among the individual methods used "affordable funds" method emerged as the most popular. There were, however, quite a few companies which had started using the approach of `objective and task' in setting their promotion budget either exclusively or in combination with other methods. Most of such companies were dealing in consumer goods.

The practices of the companies using a combination of methods for determining promotion budget pointed to the efforts they were putting in to gather competitive promotion outlays and its apportioning to various promotion components.

10.7 SETTING ADVERTISING OBJECTIVES: THE INDIAN EXPERIENCE

An advertisement is either good or bad in its ability to achieve its objectives. Though advertising is largely informative and persuasive in nature, yet to do a good job, the objectives of each advertising campaign need to be clearly spelt out in measurable terms, in order to focus clearly on the target audience, and on the time period over which these are to be achieved.

Russel H. Colley called for the need to provide explicit link between advertising goals and advertising results in his pioneering approach nicknamed **DAGMAR**-Defining Advertising Goals for Measured Advertising Results. Colley distinguished 52 advertising goals that might be used in connection with a single advertisement, a year's campaign for a product or a company's entire advertising philosophy. Some of such goals are:

- announce a special reason for `buying now' (price, premium and so on)
- build familiarity and easy recognition of package or trade mark

- place advertiser in position to select preferred distributors and dealers
- persuade prospect to visit a show room, ask for a demonstration
- build up the morale of company sales force
- correct false impression, misinformation and other obstacles to sales
- implant information or attitude regarding benefits and superior features of brand.

According to **DAGMAR**, the communication task of the brand is to gain (a) awareness, (b) comprehension, (c) conviction, (d) image, and (e) action. Advertising goals should, therefore, be specific to the communication task(s) to be performed. The process of advertising goal-setting thus, should begin by understanding the dynamics of the consumer behaviour and the market environment in order to carry out the task of marketing communication effectively.

Further, let us also understand that improving sales is not the only objective of advertising. Advertising is only one of the factors influencing sales, the other being: (a) different elements of the marketing mix, (b) the competitive position of the firm, and (c) the purchasing power and the need of the buyer. Also, the impact of advertising often occurs over the long-run and not necessarily immediately, since consumers may belong to different stages of the product adoption process at a point of time. The advertising objectives are to:

- inform and build awareness
- create brand knowledge
- reinforce positive attitudes about the brand
- precipitate buying action
- increase sales
- build up an image

To facilitate the realisation of advertising objectives, it is necessary that these are laid down in specific operational terms and are linked to the time span during which these are to be accomplished.

Indian Experience: The research on the practices of large sized companies has pointed out that companies in India pursue a wide spectrum of advertising goals at different time periods and in

relation to different products. Even similar companies placed in more or less similar market situation may pursue different advertising goals depending upon a host of factors like advertising philosophy, past experience and the level of expertise existing in the company.

An analysis of the advertising goals pursued revealed that these basically focused on: moving the customer from one stage of the purchasing process to the other, expansion of the market and creation of favourable image, besides the overall goal of improving sales. The goals set, in general, lacked specific mention of the per cent of target market to be reached and influenced.

10.8 DEVELOPING ADVERTISING COPY AND MESSAGE

This decision-area relates to creative aspect of advertising. Studies reveal that advertising effectiveness to a very large extent is dependent on the type of message and copy selected for communication, and the way it is executed. Well conceived advertising objectives guide in the development of effective message and copy.

An advertisement copy is the communicative portion of an advertisement. It includes headline, illustration, body copy (incorporating product and selling appeals) and signature line identifying the sponsor of the advertisement.

A review of the history of advertising reflects the diversity of opinions among creative teams as to what makes an effective copy. Over a period of time certain creative styles have got associated with particular individuals or agencies using them.

Notable among these are the four given below:

David Ogilvy: What you say is more important than how you say it. Ogilvy believes in developing and retaining a prestige image of the brand. To reinforce the same Ogilvy often makes use of prestigious individuals and testimonials from celebrities to convey the desired prestigious image for products.

William Bernbach: How you say is as important as what you say in the copy style of Bernbach, where the execution part dominates. He preaches copywriters to be simple, swift and as

penetrating as possible. At the same time the advertisement should have its own character and stand out from others.

Rooser Reeves: The Unique Selling Proposition (USP). Reeves approach is that each product should develop its own USP, and use whatever repetition is necessary to communicate the USP. Reeves' three guidelines for developing USP are:

- the proposition must involve a specific product benefit
- the proposition must be unique-one that competing firms are not using
- the proposition must sell.

The examples of USP during 1980's include (i) Godrej Pentacool Refrigerator' (ii) Topaz stainless is the first Indian blade to win ISI approval. Now mark the lack of USP in the advertisement issued by a Topaz's competitor which read as follows: The perfect blade at the perfect price only 30 paise.

Leo Burnett: The common touch, Burnett advocates search into the product to locate the distinctive characteristic that made the manufacturer to make the product. He referred to it as the 'inherent drama' and wants to build the copy around that. He uses plain ordinary people and focuses on raising curiosity aimed at the mass market. He emphasises that the advertising copy should be (a) straightforward without being flatfooted, (b) warm without being mawkish, and (c) believable.

Advertising Appeals: Creative copy strategy rests heavily on the selection of the appropriate appeal and its execution through properly worded message. Surveys of advertisements reveal the use of the following primary appeals which are most commonly used: highlighting unique product feature, relative competitive advantage, perceived price advantage, popularity or market superiority, projected savings through product use, self-enhancement, and creation of fears, anxiety or guilt through use or non-use of the product.

John Maloney provides a structure to incorporate various advertising appeals in the message formulation exercise. Maloney identifies the four types of rewards that a buyer expects from a product. There are rational, sensory, social or ego-satisfaction. He thinks that buyers will experience this reward from result-of-use experience. The four types of rewards combined with

the three types of experience generate 12 types of advertising messages which are reproduced below in Table 5

Table: 5 Examples of Twelve Types of Appeals

Types of Potentially Rewarding Experience with a Product		**Potential types of reward**		
	Rational	**Sensory**	**Social**	**Ego Satisfaction**
Results-of-use Experience	1 Get clothes ' cleaner	2 Settles stomach upset completely	3 When you Care enough to serve the best	4 For the skin you deserve to have
Product-in-use Experience	5 The flour that needs no shifting	6 Real gusto in a great light beer	7 A deodorant to guarantee social	8 The shoe for the young' executive
incidental-to-use Experience	9 The plastic pack keeps cigarette fresh	10 The portable television that's lighter in weight, easier to lift	11 The furniture that identifies the home of modern people	12 Stereo for the man with discriminating taste

Source: Philip Kotler, Marketing Management, Analysis, Planning and Control, Fifth edition, p 641. (***Check new edition***)

Role of Headline and Illustration: Another component that plays a vital-role in the development of an advertisement copy and formulation of a message is the role of headline and Illustration. The popular dictum in the advertising world reads "you must draw the reader's eyes to your advertisement like a magnet. Make them look into your sales message." Some copywriters believe that the headline alone can achieve the purpose, while others believe that the illustration serves this purpose, better. To us the ' compromise proposed by C.A. Kirkpatric's dictum, that "headline plus illustration assumes almost the complete attention of initial readership" sounds better. David Ogilvy also seems to be holding a similar view when he states that headlines below the illustration are read by 10 per cent more people than headlines above the illustration.

Before proceeding further, let us review some of the professionally acclaimed advertisements released during 1980's in India. This is a deliberate attempt to retain these advertisements which are more than four decades old. Try and make a note what aspect did these focus forty years ago. These have been adapted from the select columns on ***Marketing and Advertising in the Economic Times.***

1 "Now the country need not look beyond Godrej for minting money" was the headline of an advertisement which appeared when the coin shortage was at its worst. Godrej had perfected a coin-making press capable of automatic production of coins from round shaped blanks at the rate of 200 coins a minute.

2 "Who killed the telephone? Finolex Cables advertisement-generated interest instantly. Copy said water seepage could affect the efficiency of conventional cables;.Finolex was now making moisture-resistant jelly-filled telephone cables in India in collaboration with Essez of USA.

3 A Charms ad was divided into two columns with the following headlines: "The good news for Charms smokers" and "Now the not-so-good-news." In the first column some improvements were listed; the price increase was mentioned in the second.

4 "Lipton exports tea to China" was a delicious headline.

5 The Russians say "Da to Emami for Men" was an attention-getter.

6 "Bribe" was a poster-type headline in a small CBS advertisement. Copy: "Rumour has it that CBS is giving away a free cassette with every six international cassettes you buy over the next 45 days... sneak into your nearest CBS shop and catch the dealer red handed."

7 "Till now headache tablets stopped at just relieving your pain... the dullness carried on. Now, you can relieve your headache... and remove the `after-headache' dullness".

8 "Do you suffer from monstrous colds?" "Ordinary medicines can only put the cold to sleep for a few hours. Ayurvedic has a weapon that knocks it out for good." The illustration of a man in the grip of a monster is what attracts you to the advertisement. Promise "Ayurvedic Trishun strengthens your body's own fighting mechanism so that it actually fights the cold. If you take Trishun at the first sign of cold, you can effectively avoid it."

9 Motorists all over India are banned from contact with children. This was the headline in Brakes India Limited Advertisement.

10 "Which jar has your favourite Monaco? None, Genuine Monaco are baked light, crisp and

Flaky that they need protective packing. That's why they come to you in airtight tin or foil pack-never loose."

In short, an advertisement copy to be effective must establish a clear link with the various stages or AIDA-the buyer adoption process. It must be capable of arresting attention, inspiring interest, creating desire, and precipitating action among the target customers. For this purpose, it should use a judicious mix of aspects like advertisement layout, headline, illustration, and motivating appeals. We must not forget that a bad advertisement copy is a bad investment, irrespective of how precisely the objectives were set, and how meticulously the media planning and scheduling were done. It pays to pretest the advertisement copy before release.

10.9 MEDIA SELECTION AND SCHEDULING

Media planning includes decisions relating to (i) which media should be used, and (ii) when and how often should advertisements be placed in the selected media. The basic purpose of media planning is to optimise the communication reach to the relevant audience within the available budget.

For making efficient and effective media decisions it is necessary that a beginning be made by collecting appropriate data from internal and external sources. The data to be collected from the internal sources relate to: advertising objectives, copy strategy, product attributes and the budget available. The external data relate to media characteristics such as reach, credibility, aid suitability to company's product/copy strategy; media availability; media cost; and competitors' media-mix. Before looking into other steps of media selection, let us take a look at the media scene in India.

Indian Media Scene

Major advertising media available currently in India along with the chief characteristics are given below:

Press (including all types of newspapers and magazines): wider circulation, limited life, good for mass communication and reminder message.

Direct Mail: Restricted circulation, flexible usage, private in nature, high impact.

Outdoor (including hoardings, posters, neon signs): local circulation, durable, reminder media.

Radio: Wide reach, cuts through illiteracy barriers, quick reminder messages possible.

Television: Combines both Audio and Visual, limited reach, high degree of viewers involvement, suitable for product demonstration.

Cinema: Limited to cinema going population, short life, effective use of audio- visual, also good for illiterates.

Miscellaneous (such as exhibition/fairs, shandies, etc.) local reach, good product demonstration, impactful.

However, with the advent and exponential growth of Information and Communication Technology the Indian media scene has transformed itself offering a range of new generation adverting and promotional media that has come into existence and are available to the marketers which are cost effective and impactful in terms of customization /standardization in reaching the intended target customers /markets across nations.

With the growing rate of literacy, increased electrification of rural areas, vast ownership of radio receivers, and widening network of television transmission, the Indian media scene has undergone a tremendous change during the last decade. For example, with the popularity of the Television media, the attraction of consumer goods for radio and the cinema has declined somewhat. Similarly, the increased availability of colour magazines and television time, consumer products needing colour exposure have moved away from the newspapers to the former. Hence, as consumer product advertisements are moving over to magazines, television and radio: investment advertisements and advertisements of restaurants and service business organisations are filling up the vacuum in the newspapers.

Media Selection: After the suitable and available media are shortlisted they are then subjected to evaluation criteria for their selection. Some of the concepts used in this connection are discussed here.

Reach: It refers to the number of households or individuals reached by a given medium over a period of time. In the case of press media this is called readership. Readership is calculated by

ascertaining the circulation figures of say a newspaper and then the same is multiplied by the average numbers of readers per copy. National readership surveys, in addition to several other specially conducted studies provide the reach data in India, though not regularly. The possibilities of duplication in readership also exist as two or more than two media may be reaching the same target audience.

Frequency: It refers to average number of times different target households or individuals are reached by a medium in a given period of time.

Gross Rating Point: A combined measure of reach and frequency gives gross rating points (GRPs) for a given medium. For example, if 35 per cent of people are reached four times in a week by a given medium, the GRP for the medium will work out to 140.

Comparative Costs: For facilitating media selection comparative cost sheets are prepared. In the cost sheets, media costs are converted into a common denomination. This denomination in the case of a newspaper is called "Milline Rate" which is arrived at as: (***check for revised rates/tariffs)***

$$\frac{\text{Line rate} \times 1{,}000{,}000}{\text{Circulation}}$$

In the case of magazines, this denomination is called cost per thousand and is arrived at as:

$$\frac{\text{Rate per page} \times 1{,}000}{\text{Circulation}}$$

In the case of TV and radio commercials, such a denomination is popularly known as cost per thousand viewers or listeners per commercial minute.

In addition to the comparative media (rental) costs, it is desirable that the production cost of advertisements for different media is also worked out. For example, TV time is expensive; so is the creation of the script and story, the hiring of actors, and other production costs.

An advertising film to be released through the cinema medium in addition will require enough number of prints to cover the desired number of cinemas. Similar estimation of costs should be

made while participating in an exhibition or using direct mail or releasing an advertisement through a newspaper. Efforts should be made in the company to develop data whereby cost per conversion of enquiries to sales, media- wise, could be ascertained_ This will prove to be a good source for measuring the impact of each media.

Based on the data relating to relative gross rating points, the costs involved, and the advertising goals of the firm, specific media mix is selected. To add precision to the media selection processes various operations research models are available now. The major limitation of these models continues to be the data base which becomes outdated soon, besides certain technical lacunae in the models. Clarion Advertising Services Limited is one of the few advertising agencies which enables its clients the benefit of scientific media planning. For this purpose, it offers them the usage of Clarion-Mote model, CASPA and the Response model.

Advertisement Scheduling: Once the media mix for the firm has been selected, the next task relates to scheduling of media over a period of time. The goals of media scheduling besides attaining longer time visibility and timely reminders for reinforcement of the message lie in the compatibility of advertisement release with the purchase occasion, seasonality peaks, product launch, relaunch or promotion needs of the firm. So, based on considerations such as the above factors media scheduling is done by the firm.

The steady appearance of Amul Chocolate advertisement; product launch and promotional scheduling and sustenance scheduling of Maggie 2-Minute noodles, aggressiveness of the campaigns of Air Coolers during summer; peaking of Unit Trust of India's advertisements for sale of Unit in June-July; and of woollen garments during winter months-are a few examples of the advertisement scheduling by their sponsors.

Exercise 1

Which advertises media would you suggest for advertising the following products and why?

a) Branded Wheat Flour
b) Hair Dye
c) Bicycles

Exercise 2

Write a short note favouring radio as the advertising medium compared to television.

10.10 MEASURING ADVERTISING EFFECTIVENESS

Let us begin the discussion on this point by making a reference to a popular saying on advertising. "I know half the money I spend on advertising is wasted; but I can never find out which half". Measuring advertising effectiveness is one of those areas of advertising about which nothing can be said for sure. Advertising communications have a time lag between buyer's awareness and action. But, if the lag happens to be longer and/or the competitor happens to be more aggressive the decay or forgetting effect of the advertisement may set in soon. It is, thus, very difficult to define the appropriate advertising level and which advertisement will produce how much effect.

Notwithstanding the above, the task of measuring the advertising effectiveness can become simpler and methodical if the advertising goals are clearly set. You may recall here the importance of **DAGMAR** model mentioned earlier on seeing the advertising objectives.

What should be measured? The goals of advertising relate either to affecting some kind of communication between the sponsor and the audience, or to bring about desired sales. The advertising effectiveness, therefore, is measured by examining the following:

- communication effectiveness of the advertising campaign and
- sales-effect of advertising efforts.

Generally speaking, some of the aspects that need examination are which of the headlines, appeals, themes, symbolic contents or illustrations etc. in the advertising copy are effective and how much. And, which among the broad class of media, which space type and which pattern of scheduling of advertisements productive and how much. Let us look at some of these aspects now.

Measuring Communication Effectiveness

You would recall that advertising is a very popular method of marketing communication. Also, lot of advertising efforts are put into encourage the customer to buy the advertised product starting from gaining the customer's attention to this product to inculcate a desire in him to possess the product. The effectiveness of advertising, therefore, depends on why and how the communications are made.

The communication effectiveness of an advertising campaign can be measured both before and after its release. The three major methods used for pretesting advertisements are:

- Asking consumers or specialists to rate or rank alternative advertisements in terms of elements such as attractiveness, liking, and interest of the theme, slogan and illustration used in the advertisement copy. This method of pretesting is called **'Direct Ratings'** method.
- Checking the extent of recall of both the overall advertisement as well as its content. This, is done by first making available, to select consumers, a set of advertisements. This type of pretesting can be done both by providing aid/lead to the consumer to recall, or can be unaided. The purpose is to ascertain the extent of recall of the alternative advertisements, and the reasons that make an advertisement stand out. This method is called **Portfolio Test** method.
- The third method makes use of equipment and gadgets to measure consumer's physiological reactions like pupil dilation, heart beat, etc, on seeing an advertisement. These tests popularly call as `Laboratory tests help in the measurement of attractiveness of the advertisement to a consumer.

Post-testing of advertisement: Testing of the communication effectiveness after the advertisements are released is done through measuring the `recognition' and `recall' among the target audience.

Recognition Tests aim at measuring the degree of memorability of an advertisement. For this purpose, the use of Daniel Starch methodology is used. The test begins by qualifying the readers in terms of whether they have seen or read the specific issue of the magazine which carried the advertisement. The qualifying readers are classified into the following three categories.

Noted: Per cent of readers who have seen the advertisement

Associated: Per cent of readers who have seen and read parts of the advertisement

Read most: Per cent of readers who reported they had read more than 50 per cent of advertisement reading matter.

The results of the recognition tests help in ascertaining the extent to which a company's advertisement made a communication impact. When compared to past or alternate campaigns used, the results throw light both on the trends, as well as the popularity of a company's advertising campaigns besides contributing to making the advertisements better read.

Recall Tests: As already mentioned under Pretesting, these tests aim at measuring the extent of recall of what had been seen or read in the advertisement. Gallop and Robinson Impact post-test is one of the popular test used for recall studies. Under the test, the qualifying readers are shown the magazine cover and with the help of a deck of cards bearing names of different brands are asked to state which brand advertisement has been seen by the reader, and he is asked to recall everything he can remember about each advertisement identified by him.

Probing is done in areas like what did the advertisement look like? What did it say? Did it increase his interest in buying the product, etc.? In the next steps the same advertisement which he was thinking of, is shown to the reader. The percentage of all qualified magazine issue readers who successfully associate the brand or advertiser with specific feature or sale point of the advertisement is called `Proved Name Registration' (PNR). Like the above tests, various other

tests are conducted for measuring the association, awareness, knowledge and attitudes of the readers.

Measuring Sales Effectiveness,

Sales being the result of both advertising as well as other elements of the marketing mix, it is very difficult to isolate and relate advertising to sales. However, it can be done to some degree of accuracy by:

- measuring sales that take place in response to mail order offers in select sales territories
- counting of inquiry coupons received and relating them to the sales effected out of them
- conducting experiments by varying advertising efforts is isolated sales territories and comparing sales results, or
- establishing historical relationship between advertising expenditure, media used and sales over a sufficiently long duration.

Based on various researches in the field of measuring advertising effectiveness, some of the benchmarks which have been established are as follows:

- A full-page advertisement in four-colour generally attracts about 40 per cent more readers than a full-page black and white advertisement.
- Two-colour advertisement (black and one colour) generally achieve lower levels of readership than black and white only.
- Advertisements in cover positions get sizeable readership bonus compared with those in regular pages.
- Illustrations showing the product in use normally obtain higher readership than static' product illustrations.
- Household appliance advertisements shown in a household setting usually score higher than advertisements which show the product alone.
- Working women are more likely to read major appliance advertisements than the non-working women.
- Food advertisements with recipes are usually better read than those without recipes.
- In general, advertisements with illustrations that take up more than half the space are more effective than those in which the picture occupies less than half of the advertisement.

Exercise 3

From the recent magazines or newspaper select one advertisement each of an industrial product and a consumer product. For both the advertisements (a) describe the target market for each advertisement, and (b) offer your observations on their effectiveness.

10.11 COORDINATING WITH ADVERTISING AGENCY

We have seen how complex the advertising function is. We also note from our experience that whether it be a newspaper, magazine or television, each of these carry an increasing number of advertisements these days. But a good number of advertisements fail to get our attention and thus lead to wastage of their sponsors' efforts. On the other hand, the growing competitive orientation demands that the advertising activity be stepped up. The rising media costs are also compelling the firms to budget larger advertising outlays. The challenge thus lies in optimising advertising, outlays, which demands that at least the creative and media planning aspects of advertising be managed professionally. The growth in advertising and promotion business has resulted in the emergence of specialists in this field popularly known as advertising agency. An advertising agency is an independent business organization composed of creative and business people who develop, prepare, and place advertising in advertising media for sellers seeking to find customers for their goods and services. Well established advertising agencies in India offer a mix of the following services: copywriting, media buying, media planning, personnel placement advertising, marketing research, sales promotion and merchandising, public relations and advertising research.

Considerations of specialist advice and experience are influencing' larger number of firms to take the assistance of advertising agency in the management of their advertising function. Research on marketing practices of Indian companies brought out that nearly seventy per cent of the large sized companies surveyed hired the services of advertising agencies. The major services for

which assistance was solicited included developing advertising campaigns; media selection; measuring the effectiveness of advertising campaigns; development of point-of-purchase material; organisation of consumer contests; test marketing; and market research. By offering their specialised services at very competitive rates advertising agencies have established a place of significant importance in the advertising and marketing world.

The issue is no longer whether to use an advertising agency or not but how to use it effectively. Like any other service, these agencies are quite keen to retain and build on relationships with their clients Satisfactory relationship between the client and advertising agency, among others, is the function of complete and common understanding of each others' business, and development of mutually compatible goals and working styles.

Particularly, at the initial stage of relationship, the client has to entrust a lot of time and information to enable the agency to have a complete understanding of the client's business, its marketing objectives and product-market situation.

A thorough briefing on the marketing communication objectives followed by detailed discussion of each major aspect of an advertising campaign for example helps the client in getting a better deal from an advertising agency. It proves beneficial if the client firm identifies an executive, who is entrusted with the task of keeping communications open with the agency, and who coordinates the routines of advertising copy{ preparation, production, media planning, scheduling, insertion, etc., including getting the approval of senior management on all activities performed by the advertising agency.

10.12 SALES PROMOTION

Of all the methods of promotion that constitute the promotion mix, sales promotion is the only method that makes use of incentives to complete the push-pull promotional strategy of motivating the sales force, the dealer and the consumer in transacting for short term sales of the firms offering.

There is no single universally accepted definition of sales promotion. One can, however, gather its essence by perusing a few definitions. Let us look at some of the popular definitions of sales promotion.

According to **American Marketing Association,** sales promotion refers to

those activities other than personal selling, advertising and publicity, that stimulate consumer purchasing and dealer effectiveness, such as display shows and exhibitions, demonstrations, and various other non-recurrent selling efforts not in ordinary routine. This definition suggests that sales promotion is a catch-all for all those promotion activities which do not fall clearly into advertising, personal selling or publicity.

Roger A. Strang offers a simpler definition:

Sales promotions are short term incentives to encourage purchase or sale of a product or service.

Yet another definition that seems fairly exhaustive, and hence, will be used in this unit is the one given by **Stanley M. Ulanoff** in his Handbook of Sales Promotion. Stanley defines sales promotion as all the marketing and promotion activities, other than advertising, personal selling, and publicity, that motivate and encourage the consumer to purchase by means of such inducements as premiums, advertising specialties, samples, cents-off coupons, sweepstakes, contests, games, trading stamps, refunds, rebates, exhibits, displays, slogan writing and demonstrations. It is employed as well, to motivate retailers', wholesaler; the manufacturer's sales forces to sell through the use of such incentives as awards or prizes (merchandise, cash and travel), direct payments and allowances, cooperative advertising, and trade shows.

It offers a direct inducement to act by providing extra worth over and above what is built into the product as its normal price. These temporary inducements are offered usually at a time and place the buying decision is made.

Summing up, sales promotion deals with promotion of sales by the offer of incentives which are essentially non-recurring in nature. It is also known by the names of Extra-Purchase-Value (EPV) and Below-the-line selling.

Product group-wise, the major users of sales promotion are: tea, coffee and beverages, soaps, toiletries, detergents and washing soaps; toothpaste; textiles; food products and baby foods; household remedies; and consumer durables like fans, refrigerators, sound systems television and household appliances.

Among the various types of sales promotion schemes used contests at the consumer; dealer and sales force levels have made a significant headway.

Why rapid growth?

A perusal of the list of the product groups which emerged as the major users of sales promotion, and from the market feel, it seems clear that a transformation from the seller's to the buyers' market is taking place and marketing has become more competitive in these product markets. In addition to **increasing competition,** other reasons for rapid growth of sales promotion in India, as pointed out ninety five large sized cooperating companies in survey are summarised below:

- sales promotion makes an immediate effect on sales
- measurement of the effectiveness of safes promotion is easier as against the other promotional methods
- channels of distribution are emerging as powerful entities and demand greater use of incentives to get desired results
- products are becoming standardised and similar, and so need increased support of non-price factors of which sales promotion is an important one
- impulse buying is on the increase, and so is the rise in the number of marginal, customers. With virtually no brand loyalty, offer of attractive schemes help. manufacturers to induce such customers to choose their product.

10.13 SALES PROMOTION OBJECTIVES

As a powerful method of sales promotion with a capability to complement and supplement the advertising function of marketing, sales promotion helps marketers realise a variety of objectives. These objectives could relate to the promotion of sales in general, or to a specific

activity at a particular level i.e. consumer, dealer or sales force. Some of the commonly attempted objectives are to:

- increase sales (in general, and focusing on new uses, increased usage, upgrading unit of purchase, winning sales of fading brands etc.)
- make the sale of slow-moving products faster
- stabilise a fluctuating sales pattern
- identify and attract new customers
- launch a new product quickly
- educate customers regarding product improvements
- reduce the perception of risk associated with the purchase of a product
- motivate dealers to stock and sell more (including complete product line)
- attract dealers to participate in manufacturer's dealer display and sales contests
- obtain more and better shelf space and displays
- bring more customers to dealer stores
- make goods more faster through dealers
- improve manufacturer-dealer relationship
- motivate sales force to take the achievement higher than targets
- attract sales force to give desired emphasis on new accounts, latent accounts, new products, and difficult territories
- reward salesforce for active market surveillance and for rendering superior customer service
- put power into the sales-presentation
- counter competitors sales-promotion and, marketing efforts
- provide punch to the company's advertising efforts
- build goodwill.

Companies may use anyone or a combination of the above objectives in varying form to suit the product-market needs of their product. What is of significance is that the sales promotion objectives set to be accomplished must be integrated with the promotion and marketing objectives pursued by the company.

10.14 SALES PROMOTION METHODS

Many methods of sales promotion are used by marketers. Depending upon the creativity level of their sponsors, their variety seems very large. We refer here to some of the most commonly used methods of sales promotion.

As noted above, the accomplishments of the desired promotion and marketing objectives ultimately depend on the extent of the desired response received from consumers, dealers and members of the sales force. Hence various sales promotion methods are building around these three target groups. Further, in terms of the impact desired, the variety of sales promotion schemes offered are grouped into two categories: One, aimed at producing immediate impact, and the other delayed impact i.e. carrying on the impact over a period of time. Immediate impact schemes are those schemes where the consumer, dealer or salesperson gets the incentive on first contact, purchase or on performing a one-time act. On the other hand, under the delayed impact schemes, the consumer, dealer or sales force is called upon to comply with the scheme over a period of time before receiving the full benefit of the scheme. Price discounts, free samples or large quantity packs are the popular examples of immediate impact schemes, whereas coupons, trading stamps, and contests are examples of delayed impact category of sales promotion schemes. Table 1 presents the variety of sales promotion schemes directed at the consumer, dealer and sales force levels according to their grouping under immediate impact or delayed impact categories. The meaning and objectives of these schemes are given in Table 2.

Table 1: Sales Promotion

	Directed at			
Impact	**Users**	**Non-users**	**Trade/Suppliers**	**Salesforce**
	*Price –off	*Price-off	*Discounts	*Perquisites & Allowances
	*Qty-off	*Sampling	*Shelf space allowance	
Immediate	*Over-the-counter	*Over-the-counter		
	*Package Premium *Banded Premium *Container Premium		*Gifts *Push Money *Posting of Salesforce	*Gifts

Delayed/over a period of Time	*In Prdt. Coupons *Personality Premiums	*Media/Door *Coupons *Return/Refund Offers *Trading Stamps *Self-Liquidators *Contests/Lucky Draws	*Merchandise Deals *Coupons *Display Contests *Co-op Allowance *Sales Contest Training Sales Force/ Privileges	*Sales Contests *Honours and Recognitions *Customer Service Awards

* The format of this table is based on Donald W'Cowell's article on Sales Promotion and the Marketing of Local Government Recreation and Liesure Service, European Journal of Marketing, 18.2.

Table 2: Sales Promotions: Meaning and Objectives

	Sales Promotion	Meaning	Objectives
1	Price –off offers	Offering product at lower than the normal price	To encourage immediate sales, attract non-users, induce new product trial, counter competition, inventory clearance at the retail level, inventory build-up at the trade level.
2	Quality –off offers	Offering more quantity of the same product at no extra cost or with a very nominal increase in the price of the larger quantity packs	To encourage more/longer duration consumption, higher or excess quantity movement from the factory, trade up consumer for higher quantity packs size.
3	Premium	Offer of an article of merchandise as an incentive in order to sell product or service. It forms are:	To encourage purchase, stimulate loyalty, off-season sales promotion, induce trial of new product, ensures reach of premium to the consumer .

	a)Packaged Premium	When the incentive article is packed (inserted) inside the package of the product.	
	b) Banded Premium	Where the premium article is banded to the package of the product say with cello tape etc.	Sampling new products, adding speed to slow moving products.
	c) Over –the-counter (OTC) Premium	When the premium article is neither inserted inside nor banded to the product package but is given away to the consumer over the counter along with the product package	To counter competition, improve inventory clearance at the trade level
	d) Container Premiums	When the product itself is placed in an attractive an reusable container which serves as a gift.	As a durable reminder at home
	e) Self-liquidating Premiums	Where the consumer usually is asked to pay a specified amount to liquidate or offset a part or full cost of the premium article or the scheme administration costs	To induce consumer to appropriate premium article, reinforce brand image, encourage more consumption enables sponsor to offer better quality premium
	f) Personality Premium	Where the consumer is required to redeem a specified proof-of-purchase for the premium article. Proof-of-purchase may be labels, pack tops, bottle tops, corks, etc.	To build loyalty and reward the consumer for that to counter competitive offers
4	Coupons	When the consumer is entitled to redeem a specific standard certificate for a product/article free or in part payment. Coupons are used by both the manufacturer and the	To encourage product trail, build loyalty, trade-up regular users, stimulate re-purchase rate, solicit inquiries.

		dealers for sales promotion. Coupons may be distributed by mail, by media advertisements, door-to-door, inside product package or by dealers on purchase.	
5	Refund offers	Offer of a refund of money to consumer for mailing in a proof-of-purchase of a particular product(s)	To induce trial form primary users, motivate several product purchases, obtain displays at the retailers, help retailers tie-in-with other product, switch competing brand users to sponsor's brand, loading dealers with increased stock.
6	Trading stamps	Organised by Trading Stamp companies or large retailers. Trading stamps are a king of discount coupons offered to consumers linked with the quantum of their purchase. On enough accumulation these are redeemable	
7	Consumer and Lucky draws	Where individuals are invited to compete on the basis of creative skills. The latter is based on the chance or luck factor.	To create brand awareness and stimulate interest in the brand, acquaint consumer with brand usage and benefits, build traffic at the store precipitate brand purchase, obtain consumer feedback, promote advertising theme of the company.

8	Dealer stock Display contests	It is a type of point-of-purchase advertising which uses the show windows of the dealers for providing exposure to the sponsor's products. Dealers participating enthusiastically and creatively are awarded.	To provide product exposure at the point of purchase, generate traffic at the store, infuse enthusiasm among dealers.
9	Dealer Sales contests	Where participating dealers are invited to compete in terms of the sales performance	To increase sales, buy dealers' loyalty; motivate dealers' staff to sell more.
10	Discounts	Other than normal trade and cash discounts	To push more sales to trade, early cash recovery.
11	Trade Allowances a)Trade or Buying allowance	These are temporary price reductions/reimbursement of expenses incurred by dealers-in full or in part, its varied types are as under: Offer of price reduction on purchase of specified quantity of a product	To load the trade
	b) Buy-back allowance	A secondary incentive which offers a certain sum of money to trade for each additional unit bought over the above the deal.	To encourage trade co-operation and stimulate repurchase
	c) Count and recount allowance	When a specific amount of money is offered ascertaining the number of units sold during a specified period.	To move stocks faster, reward on sale only.
	d) Merchandise (display)allowance	An allowance to trade for providing desired sales promotion and product displays	To create enthusiasm in trade, improve traffic and exposure at the point-of-purchase, gain larger space/effort of the trade in the promotion of

			sponsor's product as against the competitors.
	e) Co-operative advertising & Promotion allowance	Where in a manufacture shares at an agreed rate the advertising and promotional cost incurred by the dealer in the promotion of manufacturer's product.	To gain product and retail identity motivate dealers to promote manufacturer's product, obtain local advertising and promotion.
12	Dealer gifts	Offer of useful articles and attractive gifts to dealers for his personal, family or office use	To improve dealer relations, make impact on consumer scheme/contest offered
13	Premium or Push money	When an additional compensation is offered to trade or sales force for pushing additionally a specific product or product line	To push a specific product or product line
14	Merchandise Deals (13 for 12)	Where in additional quantity of the same or the same manufacturer's another product is offered to trade. May be offered jointly by non-competing manufacturers.	To load dealers with inventory, expose other products of the sponsor, encouraging dealers to sell more and early to realize their incentive.
15	Point-of-Purchase (POP)	Those special displays, racks, banners, exhibits, that are placed in the retail store to support the sale of a brand.	To attract traffic at retail store, remind customers, encourage impulse buying, ensure additional visibility to the advertising campaign.

* The format of this table is based on Donald W'Cowell's article on Sales Promotion and the Marketing of Local Government Recreation and Leisure Services, European Journal of Marketing, 18, 2.

Though ideal for consumer goods, sales promotions are also used for promoting industrial-goods. The difference in the use lies in the types of schemes offered, and in the frequency of their offer. Sales promotion schemes offered to industrial customers, besides the usual gifts, price-off coupons and contests, include product demonstration, training to customer staff, offer of interest-free installment payment plan, ready and regular availability of repairs and spares, and posting of trained staff to assist/supervise in the working of the equipment in the client's premises, at the manufacturer's cost. The sales promotion schemes offered at the level of industrial distributors are: provision of extended credit, and provision of specialised sales/technical staff at the manufacturer's cost, besides the usual cooperative advertising and sales promotion, gifts, and organisation of distributor's contests. The sales promotion schemes popularly used to motivate industrial salesforce are: prizes and awards on special achievements, sales contests, new accounts contests and prompt service awards.

Need for Orderly Management

In spite of the growth in the Sales promotion activity, one of the survey of the company practices revealed that the managerial efforts put in to manage this function were unsatisfactory. Use of adhoc approaches, neglect of sales promotion research, and lack of formal systems and procedures were found to be more prevalent in the case of a good number of companies surveyed. Consequently, larger number of companies experienced less than expected success of their schemes. When asked specifically about forty per cent of the companies surveyed, admitted that one or more of their sales promotion schemes misfired during the last three years due to causes which could be categorised as:

- faulty administration
- failure to match the scheme to the objective
- lack of proper planning
- poor dealer relations

... lack of creativity

10.15 STEPS IN PLANNING SALES PROMOTION PROGRAM

With growing competition at the marketplace and the need to realise full benefits of this unique method of promotion it is required that the perfunctory approach used in its management is stopped forthwith and the sales promotion function' is managed professionally. Systematic planning of this function should initiate the managerial process. The following steps are suggested for effective planning and management of the sales promotion function.

The **first** step is to assess and analyse the present situation of the brand in terms of market share, major competitors, and brand performance of brands users, non-users and lapsed users. This benchmark should then be related to the market size and the potential estimated. It will now pave the way for determining the role of sales promotion in effecting the desired change in the market share of the brand. The outcome of this exercise will be the availability of desired information to set measurable and attainable goals:

After the goals for sales promotion of the brand are set, the **second** step deals with the identification of the alternative schemes, and the selection of the most appropriate sales promotion scheme(s), capable of accomplishing the goal set, within the available budget.

The **third** step relates to incorporating creativity into the scheme to be offered. This is, making the scheme novel, attractive, and challenging from the viewpoint of its target group i.e. consumer, trade or salesforce.

The **fourth** step relates to legal validity of the sales promotion scheme to be offered. For example, before a consumer contest can be offered permission from the licensing authority of a State, usually, the Collector of the District is required under the Prize Competition Act, 1955. **Competitive Commission of India (CCI)** is the chief national competition regulator in India. It is a statutory body within the Ministry of Corporate Affairs and is responsible for enforcing The Competition Act, 2002 in order to promote competition and prevent activities that have an appreciable adverse effect on competition in India.

Website: cci.gov.in. You may access the website to get first hand information of various provisions and guidelines with respect to sales promotion schemes and the legal provisions that firms should adhere if any.

The **fifth** step covers primary decisions relating to timing and duration of the schemes to be offered, location-wise selection of dealers, and conviction of the trade and sales force about the appropriateness of the scheme. It will be useful to quote here the findings of a recent study of Kenneth G. Hardy on Key success factors for manufacturer's sales promotions. The major findings are given in a tabular form below:

Sales Promotion Objectives	Key Success Factors	
	Consumer Promotions	Trade Promotions
1 Short-term volume objective	*Dual promotions (offer or trade promotions simultaneous with consumer promotions) *Sales (trade) support	*Trade Support *Short promotion period *Offer of high level of incentives
2 Long –term market share objectives	*Sales force support	* Dual Promotions *Trade support
3 Building trade inventory objective	*Avoid competitive promotion *Sales force (trade) support *Offer of high level of incentives to the consumer (and to the trade in case of dual promotions).	*Absence of competitive promotions *Trade support *Shorter –promotion period
4 Increase consumer Trial	*Sales force (trade) support *Longer promotion period *Offer of higher level of incentives	*Dual promotions
5 Load the consumer objective (Situational)	*Sales force (trade)support *High promotion cost-special advertising, p.o.p., etc.	

Other important decisions relate to scheduling for procurement of scheme related premiums, production of the brand, advertising, P.O.P. materials and other logistics related aspects

The **sixth** step covers the development of the evaluation criteria in relation to the sales promotion goals set. The decision areas include what to measure, when to measure, how to measure and for how long to measure.

Effectiveness of Sales promotions is usually measured in references to sales achieved, cost effectiveness, redemption rate of coupons and trading stamps, turnover of special packs or special liquidators, number of entries received to the contest, etc. To do a good job special focus must be laid on measuring the incremental sales arising out of sales promotions. Before proceeding to the last two steps involved in management of sales promotions let us take note of the select findings from the literature survey relating to the effectiveness of sales promotion. These are:

- Incremental sales are harder to get for high market share brands
- A coupon with a sample can be almost twice as effective as a coupon alone.
- High redemption rates can be very costly
- The earliest redemptions are the incremental sales
- Short purchase cycles mean shorter term effects.

At the sales promotion offer commences, the **seventh** step relates to monitoring the offer and collecting the relevant data and experience for future use as well as mid- period corrections.

The **eighth** and last step relates to evaluating the effectiveness of sales promotions in the context of their goals. Efforts must also be put into perfect the measurement methodologies, and in conducting researches on aspects like deal prone consumer, incentive scheme and gift selection factors, attitudes of trade and consumers towards the use of sales promotion schemes. Documentation of corporate experiences on sales promotions, the pitfalls in the existing systems and procedures, and the mishaps that occurred, etc., ultimately help in improving the state of the art of managing the sales promotion function professionally.

Exercise 3

The sales promotion manager of an established low priced washing powder is planning the sales promotion programme for the next year. Suggest a suitable programme for his consideration.

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10.16 TOWARDS PROMOTIONAL STRATEGY

After gaining an understanding of the concepts, issues and decision areas relating to two important methods of promotion mix name advertising and sales promotion in this unit. Let's look at the formulation of promotional strategy. You would recall that promotion constitutes one of the important elements of the marketing mix of a firm. Each firm has a need to perform its promotion (marketing communication) function effectively. Further each of the four promotion methods have already been touched in unit 9 of this course. Promotion has its own unique place in the marketing communications mix of a firm. The question facing marketers, therefore, is not which promotion method to use to meet today's complex marketing tasks. Rather the real question is which promotion method should be emphasised, and the level of intensity one should use and how it can be integrated with the other promotional methods.

Decisions on determination of promotion mix take us back to the promotion objectives which must emanate out of the marketing objectives of the firm. A promotional strategy aims at accomplishing the promotion objectives in the allocated funds and within a specific period of time.

Promotional objectives, generally speaking, relate to sales and the marketing communication tasks required to be performed as per the needs of the product and the market scenario. Expressed in measurable terms these can be put as: increasing sales, improving market share, creating product awareness and comprehension, developing positive attitude of the public towards the product, building favourable image of the product, or gaining competitive advantage.

In this contest Leonard M. Lodish suggests`vaguely right' criteria, the relevant part of which is as follows:

Promotion Decision Area	Vaguely Right Criteria for evaluation
Advertising Budget	Changes in buyer behavior-long term or short term – and its resulting profitability.
Media Planning Promotion Management	Changes in buyer behavior per dollar Changes in buyer behavior and resulting long and short term profits.
Trade Promotion Management Consumer Coupons	Changes in buyer behavior of the ultimate consumer Sales and profit changes (both short and long term) caused by the coupons.

The extent of emphasis to be placed on the different promotion methods is determined by several variables. Firstly, it is dependent on the promotional objectives. Secondly, on the characteristics of the target public their psychology, and the allocated funds. For example, a marketer of consumer durables in any metropolitan city may use different means like advertising to create awareness and build comprehension. It would also require publicity which could be through press release on the contest technology backing his product. Sales promotion through demonstration, P.O.P. and offer of introductory price to encourage intentions would also be used and, definitely, personal selling to overcome objections offer conviction and precipitate purchase action would complete the promotion picture. Further, as revealed by Kenouth G. Nardy, for achieving the set objectives for example, loading the consumer with larger supplies, and some can see that it requires all the methods of promotion be approached simultaneously in terms of objectives to be achieved. Attaining synergistic advantage arising out of the use of different promotional methods is the hall-mark of an effective promotional strategy.

10.17 SUMMARY

Advertising is an impersonal mass selling and communication method. It makes use of various types of media to reach the target public in a short-time. Being persuasive in nature, advertising broadly aims at gaining exposure, creating awareness, changing attitudes of target customers in favour of sponsor's products and services, and also at offensive/defensive tool in managing competition.

Management of effective advertising requires that the process be initiated by setting of measurable and realistic goals. Matching with a firm's advertising needs' advertising budget be

determined, message formulated copy developed, and media selected and scheduled. Identification and knowledge of the economic, demographic, cultural and psychological characteristics of the target customer should trigger the process of advertising planning. This should be followed by selection of appropriate appeals, proper illustrations and unique copy themes in the language which the audience understands and should be transmitted to them through such media vehicles which have a meaningful reach and desired credibility.

Advertising decisions are complex and capable of getting influenced by various forces. The decisions, arrived at should, therefore, be evaluated in a regular manner so that remedial measures and corrective actions could be taken before it is too late. Pretesting of advertising campaigns before release and post-testing in terms of recall and recognition studies as well as their impact on sales or the number of inquiry coupons received back are some of the ways through which advertising efforts can be evaluated. In this context, the use of professionally manned advertising agency proves by the large advantageous to the company.

Sales promotion, of late, has emerged as one of the more popular methods of promotion in the case of consumer goods. Stated simply sales promotion deals with offering something extra as an incentive to motivate an early purchase. Sales promotions can be offered at the level of the consumer, trade and sales force. Sales promotions aid in achieving both the push-pull elements of a promotion strategy.

Sales promotion schemes used to attain consumer pull include free samples, price- offs, premium give aways coupons and contests. Schemes offered for gaining the push cover promotional allowances, gifts, discounts, cooperative promotions, contests and awards and rewards. To save a sales promotion programme from getting misfired, it should be planned and managed in a systematic manner.

Promotion is an important marketing function of each firm. And, rare will be a firm which makes use of only one promotional method. The commonality in the ultimate goal of all the promotional methods apart, their limited suitability in influencing only a specific part of the consumer adoption process calls for the need to use the promotional mix in an integrative

manner. Given the complexities in the management of the promotion function and its vulnerability to failure, it is desired that the function be managed professionally.

10.18 KEY -WORDS

Advertising Campaign: Advertising effort relating to a specific product or service extending over a specified time period.

Advertising Target: The group of people toward which advertisement is aimed.

Cooperative Advertisement: Joint advertising in which a manufacturer and retailer join hands and share the costs.

Copy: The verbal or written material of an advertisement including the head line, illustration, name and address of the advertiser and his signature.

Corporate Advertising (also called Institutional Advertising): Advertising aimed at promoting the image of a firm as a whole instead of any of its specific product or service.

Layout: The arrangement in which various design elements of an advertisement such as headline illustration, body copy, and signature appear so that the desired impact is achieved

Media Plan: The plan that specifies the media mix and the date time, and sequence in which advertisements are scheduled for release.

Read-Most: Those members of the audience who read half or more of the written part in the advertisement.

Reinforcement: Efforts to keep the existing customers sold and advising them to get the maximum satisfaction from the product.

Reminder Advertising: Advertising reminding consumers about the availability and benefits of the specific brand or service.

Unaided Recall: Post-testing of advertisements by asking audience to identify what they have seen or heard but without giving any clues to aid their memory.

Point-of-Purchase (POP): Promotional material displayed in the retail store to encourage sales.

Pull: Promotional methods directing the end consumer to demand specified products or services. One popular form is advertising.

Push: Promotional strategy directing the dealers and the sales force to achieve marketing communication and sales objective.

Trade promotion: Sales Promotion activities directed at the wholesaler and retailer levels

Price –off offers: Offering product at lower than the normal price

Over –the-counter (OTC) Premium: When the premium article is neither inserted inside nor banded to the product package but is given away to the consumer over the counter along with the product package

Refund offers: Offer of a refund of money to consumer for mailing in a proof-of-purchase of a particular product(s)

Point-of-Purchase :(POP) those special displays, racks, banners, exhibits, that are placed in the retail store to support the sale of a brand.

10.19 SELF – ASSESSMENT EXERCISE

A) Check whether the following statements are true or false statement

	True	False
1. The most frequently stated goal of advertising is to increase sales.	☐	☐
2. Reach is the total audience that an advertising medium covers.	☐	☐
3. It is easier to measure the sales effectiveness of advertising than to measure accomplishment of communication objectives.	☐	☐
4. Advertising can be used to reduce fluctuations in sales.	☐	☐
5 The extensive media coverage of the Union Carbide's Bhopal plant tragedy is not an example of publicity since the coverage was not indicated by Union Carbide India Ltd.	☐	☐

B) Tick the one most appropriate answer

1. The total audience that an advertising medium covers is called
   a) target population
   b) frequency
   c) reach
   d) response

2. While Managing advertising efforts
   a) objectives should be very general to facilitate creative techniques
   b) objective become self-evident after advertisements are released

c) objectives should be very specific and quantifiable

3. Generally speaking, advertising media selected by advertisers are such that
   a) these could have as large a coverage as the funds permit
   b) these attain a high level of reach and frequency
   c) these reach only the target market

4. Advertising effectiveness during an advertising campaign is usually measured by
   a) post-test
   b) inquires
   c) pretest
   d) sales comparison

5. The creative challenge in developing an advertising campaign is to finalize
   a) what to say
   b) how to say it
   c) the headline and the illustration
   d) a and b
   e) none of the above

6. The milling rate is cost-comparison indicator for
   a) magazines
   b) radio
   c) outdoor
   d) newspapers

7. The first objective of any advertisement is to
   a) communicate effectively
   b) stimulate exchange
   c) increase sales
   d) enhance customer satisfaction

8. "Siemens Quality – Because anything less costs you more" is an advertising theme which in terms of basic advertising appeals can be categorized as
   a) sensory
   b) rational
   c) social
   d) ego-satisfaction
   e) none of the above

Key to Self-assessment Exercises

A) 1 True, 2 True, 3 False, 4 True, 5 False.

B) 1 (c) 2 (c) 3(c) 4 (b) 5(d) 6(d) 7(a) 8(b)

10.20 FURTHER READINGS

Philip Kotler - *Marketing Management,* 11th *edition* 2008, PHI- New Delhi U.C.Mathur, *Advertising Management .-2OO2,* -New Age Publication-Delhi

P.K.Sahu, K.C.Raut, *Salesmanship and sales Management,* 3rd edition, Vikas Publication, New Delhi

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UNIT -11 PERSONAL SELLING AND MANAGING SALES PERSONNEL

Objectives

On completion of this Unit, you should be able to:

- explain the nature and role of personal selling
- list different types of sales positions and their responsibilities
- describe the steps involved in the selling process
- selling role of sales person and the stages involved
- meaning of the selling effort
- to differentiate between `selling' and `managing'
- understand the meaning and role of sales management
- be aware of the process of recruiting, training and motivating the sales personnel
- the allocation of duties of the sales manager.

Structure

11.1 Introduction

11.2 Role of Personal Selling

11.3 Types of Selling Jobs

11.4 The Selling Process

11.5 Selling and Sales Management

11.6 Recruitment arid Selection of Salesman

11.7 Training of Sales Personnel

11.8 Motivating the Sales Personnel

11.9 Controlling the Sales Personnel

11.10 Summary

11.11 Key Words

11.12 Self-Assessment Test

11.13 Further Reading

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11.1 INTRODUCTION

In contrast to advertising and publicity, which use impersonal methods of communication, personal selling makes use of direct personal communications to influence the target customers. Personal selling is a highly distinctive method of promotion, and makes use of oral presentation in conversation with existing and potential customers, for the purpose of making a sale. It is one of the oldest methods of business promotion. The contributions made by personal selling in making the promotion function more effective have earned the distinction of being the most reliable promotion method. Though, it is the most expensive method of promotion, yet we see an increasing number of firms making use of it, and a good number of them realize that they cannot, perhaps, live without it. Increasing competition, growing sophistication of the buyer and his buying process, are making personal selling more or less indispensable.

As we have seen and understood the importance of personal selling effort by the sales force in promoting the firms product/service offering to the market. It is far more important to recognise and nurture these set of personnel in terms of their needs and wants in discharging their profession responsibilities to best of their ability and competence. Thus managing the firm's sales personnel is one of the core activities of the firm. The success of distribution strategy is primarily governed by the involvement and motivation of these set of sales personnel/staff. Not only their involvement is critical, but in the first place the organisation has to recruit the right persons, train them adequately and assign them to various jobs. Of course, we know that the control and review of performance is also important. Thus personal selling aspects and the personnel who manage the selling activities of the firm will be discussed in this unit.

11.2 ROLE OF PERSONAL SELLING

Personal selling, as the name implies, is an individual to individual selling. It, therefore, carries the distinctive advantage of **flexibility** in terms of tailoring the sales presentation/interaction to the needs of the buyer. Another unique advantage comes from its **two-way communication,** and human interaction thereby providing instant feedback. These two unique advantages make personal selling the most result-oriented promotion method.

Generally speaking, the **nature of goods/products** marketed, as well as the **distribution system** adopted; determine the role of personal selling in a firm. Therefore, personal selling is used extensively in the case of industrial goods, where the salesperson performs functions such as assisting the customer in designing the product specifications, product installation, product commissioning, solving technical problems through providing service after sales and helping customer to have optimal utilization of the product. In the case of consumer goods, on the other hand, the role of personal selling gets usually restricted to the dealer/distributor/stockiest level. The scope of the tasks performed include obtaining periodic orders, ensuring supplies, offering tips to dealers on product display and attaining desired levels of stock movement. Similarly, the role played by personal selling is more in a firm which uses door-to-door selling method through its sales force than in the firm which sells through large stockiest, distributors or sole- selling agents.

Notwithstanding the varying role of personal selling in the strategies followed by different companies, the nature of the selling function requires that the following tasks be performed:

- sales generation
- feedback and market information collection
- provision of customer service covering aspects such as delivery of goods, warranty administration, timely availability of repair and spares etc.
- performance of sales support activities such as monitoring distribution function, credit collection, improving manufacturer-dealer relations, implementing the promotional programmes, etc.

In practice, the complexity of the selling task actually performed varies from company to company even under the above four categories.

Activity 1

The importance of personal selling varies from industry to industry and company to company. Explain why this variation occurs. Give examples of industries/companies which rely primarily on personal selling give reasons.

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11.3 TYPES OF SELLING JOBS

From the previous discussion we understand that while sales as a function has a common purpose, that is, to effect sales, the selling situations differs due to interplay of various factors. These factors are nature of goods sold, type of distribution system used, nature of demand and the type of sales strategy followed by the firm. These factors require the salesforce to possess different traits and abilities suitable to the selling situation with which they are associated. To underscore the differences, Robert N.McCurry in "The Mystique of Super-salesmanship" classifies individual sales position based on the degree of creativity required into seven categories. These seven categories are described below:

Merchandise Deliveries: The sales person, whose primary job is to deliver the product usually against routine orders-popularly called sales and delivery boys.

Inside Order-taker: Working inside a store the primary job of such a sales person is to service the customer's request or suggest appropriate product to meet customer wants; such type of salespersons are popularly called retail salesman.

Outside Order-taker: The salespersons engaged in the task of taking orders from the resellers. They normally do not use hard selling approach for making orders.

Missionary Salesperson: The salesperson whose primary job is to educate, give product detailing, build goodwill or create primary demand for the product. Strictly speaking, missionary salespersons are not permitted to take orders. Pharmaceutical companies hiring medical representatives for promotion of their products among Doctor’s (medical fraternity) is a classic example.

Sales Engineer: The salesperson who acts as a technical consultant to the client and as per the need helps him to design products or production system for the client. This type of salesperson is popularly called Technical Salesperson.

Tangible Product Seller: The salesperson whose job is to sell tangible products such as furniture, appliances, automobiles, etc. The job involves abilities to persuade and convince the customer.

Intangible Product Seller: Here the salesperson is associated with selling intangible products or services such as advertising services, insurance, education, banking, and telecom etc., the common factor being difficulty in immediate demonstration of the perceived benefits of the product. This selling job requires perhaps the greatest degree of creativity in the salesperson.

We have discussed the different types of selling jobs which are very much in existence but currently the nomenclature of these selling jobs may vary from firm to firm and also from one industry to another. Yet the fact remains that the role and responsibilities remains intact.

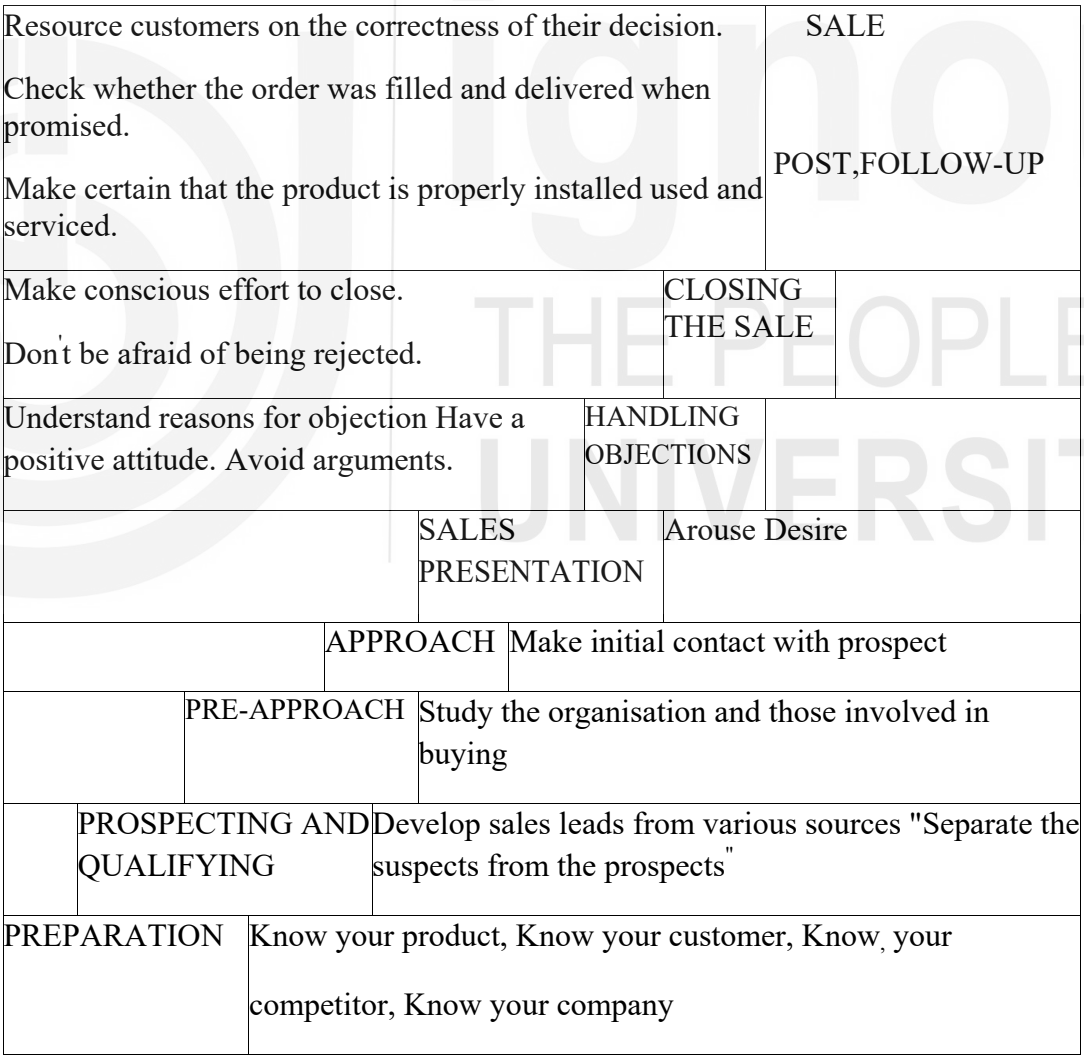
Defining the Salesperson's Job: The earlier classification of the sales position into seven categories, on the basis of degree of creativity required in the performance of each job is only general in nature. Depending upon the organisational need, each company should clearly define what it expects from a salesperson in terms of the tasks to be performed by him. It should broadly specify how much of salesperson's time should be spent on developing new accounts versus servicing existing accounts, large accounts versus small accounts; bulk orders versus small orders; selling individual products versus selling the product line; selling old products versus selling new products; etc. Lack of clear definition regarding the selling tasks to be performed, often results in disproportionate spending of time between the tasks, as well as in imbalances in the goals achieved. To avoid this type of loss in productivity of the salesforce it is worth repeating that the job of the salesperson should be defined with sufficient clarity, focus and specificity, so that he can use it as a guideline to keep himself in the right direction.

11.4 THE SELLING PROCESS

Up to this point we were discussing the role of personal selling and the degree of creativity required in a salesperson to perform his task satisfactorily.

Now we will take a look at the selling process followed for completing a sale. Though the steps in the selling process discussed below will be applicable to most of the selling situation. What will differ will be the degree of importance given to each step of the process under different selling situations. The basic steps in the selling process are given in Figure I. A salesperson must become accomplished at performing the selling steps. These steps are:

Figure I: Steps in the Selling Process


Resource customers on the correctness of their decision.
Check whether the order was filled and delivered when promised.
Make certain that the product is properly installed used and serviced.
SALE
POST,FOLLOW-UP
Make conscious effort to close.
Don't be afraid of being rejected.
CLOSING THE SALE
Understand reasons for objection Have a positive attitude. Avoid arguments.
HANDLING OBJECTIONS
SALES PRESENTATION
Arouse Desire
APPROACH
Make initial contact with prospect
PRE-APPROACH
Study the organisation and those involved in buying
PROSPECTING AND QUALIFYING
Develop sales leads from various sources "Separate the suspects from the prospects"
PREPARATION
Know your product, Know your customer, Know your competitor, Know your company

Source: Ralph M, Gaedeke and Dennis H., Tootelian, Marketing Principles and Applications, 1983. p. 436 (preparation step added)

Step 1

Preparation: Before starting the selling job, a salesperson should make a valuable investment of time and resources to know the products he will be selling, know the customers (i.e. customer types, buying motives and buying process) to whom he will be selling; know the competitors against whom he will be selling, and finally know the philosophy, policies and range of products of his company, In short, he should be well equipped with the fundamentals of selling.

Step 2

Prospecting: This step of the selling process deals with locating and preparing a list of prospective customers. Prospects can be located through (1) identifying the potential of buying more in the existing customers, (2) recommendations of existing customers, (3) winning back lost customers, (4) attracting competitor's customers, (5) customers' information request from advertisement, (6) newspaper announcements, (7) public records, (8) directories like telephone, trade association etc., (9) other salesmen, (10) references from friends, neighbours and business associates, and (11) cold canvassing, that is, going from door-to-door.

The located prospects should first he qualified broadly in terms of (i) whether they want the product and how intense their want is (ii) whether they have the adequate purchasing power, and (iii) whether and who possesses the power or authorisation to purchase and spend the required money. The qualifying of prospects is the process of separating the prospects from the suspects.

It is worth-mentioning here that the ability to prospect is the most essential ability of a successful salesperson. A good salesperson keeps examining, weeding out the already tapped prospects and updating his lists of prospects, and remains in constant search of new prospects.

Step 3

Pre approach: The qualifying process of separating prospects from suspects further requires that the salesperson should possess detailed information relating to the prospects in terms of existing products consumed, their scale of operation, product range, their buying size, frequency, budget

and the process, etc. In short, obtain customer orientation. The sources of information for the purpose include company annual reports, other salespersons, other suppliers to the prospects, census of manufacturers, professional journals, newspapers and market intelligence, The availability of the above information in a detailed manner as possible will help the salesperson in ranking the prospect in terms of their priority to the company. Good salespersons use the above information in classifying the prospects in A, B and C categories in terms of the immediacy of the attention to be given to them.

Step 4

Approach: `First impression counts'. As such, this step needs to be carefully planned. This step has two distinct parts. One, of meeting the customer with a positive set of mind, and the second, is make an impact on him. For the former, referrals of reliable persons known to prospects, calling after fixing an appointment, use of door openers, help. For the latter the salesperson should equip himself with the key benefit to be emphasised, samples or new literature to be handed over, etc.

Step 5

Sales Presentation: Through advance information relating to the prospect every effort should be made to match the product offered to the needs/problems faced by the customer. The sales presentation should generally go according to the AIDA-attention, interest, desire, and action approach. How can this be done? Use of key benefit or a problem solver, or a unique act of the salesperson results in gaining attention. When used attentively this part also provides opportunity to get the main point of the initial statements made by the prospect.

The presentation should proceed in a straightforward manner to help the prospect know that you understand his problem and that is the reason of your being there. To convince the prospect as early as possible, the salesperson should offer evidence through demonstration of the product, use of exhibits, models, sharing Of acts, citing examples of its successful applications/usage, showing testimonials, etc. The overall approach should be to build credibility and confidence in the supplying company, its products, and also in its competence to render specialised type of service to the, complete satisfaction of its customers.

The flexibility of the sales presentations can range from the `Canned' or previously prepared presentation, to those allowing the salesperson complete freedom in the 'presentation. Though both the extremes, and even the hybrid of the two, have their own situational suitability, the important point to note is that salesmanship, being a showmanship function, must arouse active participation of the prospect in the presentation process. This can be done by introducing some action which would keep the prospect captivated. One possible way would be a joint review of the problem faced by the prospect. Another is helping the prospect imagine the projected benefits of owning the product.

Step 6

Handling Objections: It is in the last phase of the sales presentation step that the prospects start expressing doubts, or raising objections whether relating to price, need for more time to think, satisfied with the existing product/supplier or product quality claims.

These doubts or objections should be welcome and they should be answered with confidence. There is certainly no doubt that the prospect has to be thoroughly convinced that the product would satisfy his need. The ability of the salesperson of mind reading of the prospects enables him to anticipate the prospect's objections and reactions.

The golden rules for handling objections are: (1) welcome the objection and show respect to the prospect, and (2) do not argue with the prospect. Even when the objections raised are half-backed or trivial in nature, the salesperson should handle the situation tactfully. Only in extreme necessity, should a salesperson ask the prospect to adequately explain his problem faced. Even under these circumstances courtesy should not be lost sight of, and while the discussion is on, the salesperson should start recounting the benefits of the product agreed upon, and lead the prospect to make a favourable decision. It should be remembered that handling objections sharpens the selling skills of the salespersons.

Step 7

Closing the Sale: Closing is that aspect of the selling process in which the salesperson asks the prospect to buy the product. There is a critical point during each presentation when the salesperson should ask for the order. Pending the location of the critical point, as the objections

are being met, the salesperson should help reduce the choice of options, summarise the benefits of buying, and the consequences of not buying, and if need be, make use of the big idea appeal of buying `now' at that moment.

The salesperson should have the ability of catching the buying signals given by the prospect and should act on them fast. Some such signals are changing the sitting/standing position and moving closer to the product; reading the instructions on the product; perusing the testimonials; showing hesitation in being able to afford; asking for another demonstration, if applicable; checking the warranty or asking questions relating to warranty terms. These signals show that the time is ripe to start taking the order.

Step 8

Post-sale Follow-up: The selling process does not come to an end by writing the order. A few repetitions reassuring the benefits of the product keep the customer sold. Follow-up provides an opportunity to ensure that the product is being rightly used, and if necessary to re-explain the method of using, handling, and storing of the product when not in use. This builds favourable feelings and nurtures strong buyer- seller relationships.

Post-sale follow-up not only reinforces the customer's confidence in the salesperson and his company but also tends to keep competition out. This also helps generate repeat business and valuable word-of-mouth publicity. The follow-up is a good source of feedback too.

Let us conclude this section by stating that although the eight steps of the selling process are essential in spirit, these may not always be followed. This could be partly the (1) the selling situation involved (e.g., in the case of insider order-taker or retail salesperson) the first three steps of the selling process are generally not applicable as the customer walks into the store for buying a product, (2) the expertise of the salesperson (such that he can ignore or assume some information), or (3) the seller's market of the product where customers generally queue up for the product.

Let us also look at the findings of a study by Robertson and Chase on the subject. They point out that:

1. The more closely matched the physical, social and personal characteristics of the customer and salesperson, the more likely is the sale.
2. The more believable and trustworthy the customer perceives a salesperson to be, the more likely is the sale.
3. The more persuadable a customer is, the more likely is a sale.
4. The more a salesperson can make prospective buyers view themselves favourably, the more likely a sale is.

Exercise 2

What general procedure should be followed when qualifying prospects? How can the key prospects for water cooler for institutions be identified and qualified?

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11.5 SALES FUNCTION AND MANAGING SALES PERSONNEL

Selling is done by the sales force either directly to customers, such as in case of industrial salesmen or to retailers, as in case of salesmen merely supplying shopkeepers and inducing them to stock the goods.

In both cases, the effort of the salesmen contributes to the overall sales turnover of an organisation. The advertising effort and the sales effort are to a certain extent interrelated. The main function of advertising is generally before the actual selling occurs. The customer looks at

advertisements and is thus induced to go to the shop or wait for the salesman and make his purchase. The salesman's job is to hand over the merchandise against exchange of money and provide satisfaction to the customer. Besides, he also some times has to provide after-sales service. In terms of selling, the role of a salesman can be sub-divided into several stages. These are:

1) **Prospecting,** i.e. trying to find out likely customers who are called Prospects.
2) **Pre-approach,** i.e. trying to find out more about the customers, before actually meeting them.
3) **The Approach**, i.e. when the-salesman actually communicates with the prospect with a view to sell the product.
4) The actual selling where he **Answers Objections** and **Closes** the sale.
5) In addition to this, he may also provide services such as giving technical **Assistance**, arranging credit facilities and expediting deliveries.
6) Collecting **Information** useful for the organization.

A salesman following these steps will have a higher chance of being successful with his customers. In sharp contrast to selling activity, a sales supervisor performs the function of managing the sales staff. This is a very important aspect. It is at times thought that good salesmen can make good sales managers. This is not true because a good salesman is very keen on selling or the `doing' part of his job. When he becomes a sales supervisor, and as he goes up higher and higher and becomes a sales manager, his job changes in emphasis to that of `managing', which consists of (1) **planning** and goal setting, (2) **organizing**, (3) **motivating**, and (4) **controlling** his subordinates. Thus the job has changed from `doing' to "getting things done through people". Of course, it is true that many sales managers continue to perform the selling function and provide necessary support.

Activity 1

What do you understand by selling and managing?

Selling consists of:

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Managing consists of:

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Now let us try to understand the field of **sales management.** There is a lot of confusion in the expression Sales Manager and Marketing Manager. They are at time used synonymously. You have learnt the meaning of marketing and therefore know that the marketing manager is concerned with the four P's in marketing. The sales manager's function is limited. It is limited to one of the P's in marketing, namely, promotion.

The **American Marketing Association** has defined Sales Management as follows:

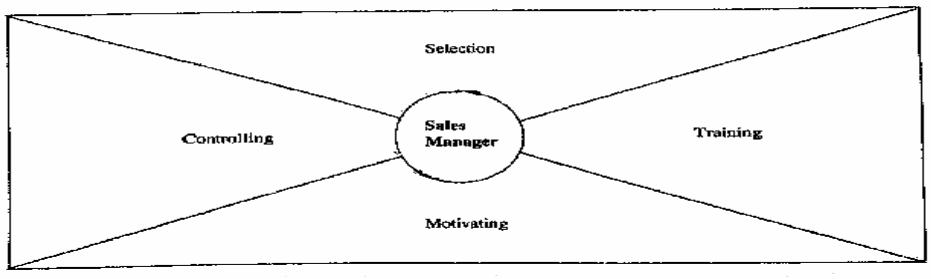
"The planning, direction and control of the personal selling activities of a business unit, including recruiting, selection, training, equipping, assigning routing, supervising, remunerating and motivating as these tasks apply to the sales force."

From this definition we can define the functions of a sales manager as:

1) Selection of the sales force.
2) Training the sales force.
3) Motivating the sales force.
4) Controlling the sales force.

These are depicted in Figure I. These will now be dealt in details

Figure 1: The Sales Management Functions



Activity 2

Interview a salesman and a sales manager from within your organisation or from any other organisation and prepare a list of their activities. Identify some of the activities that are common to both. Discuss the reasons for such common activities with the salesman and the sales manager:

Activities of Salesman	Activities of a Sales Manager
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Re-list common activities

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Identify reasons for common activities

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11.6 RECRUITMENT AND SELECTION OF SALESMEN

The sales manager's job is basically to provide leadership to the sales force. However, if he does not have the right persons, it will be difficult for him to get desired results. Therefore, the first step, or the first function of the sales manager, is to be concerned about recruiting and selecting the right type of salesmen.

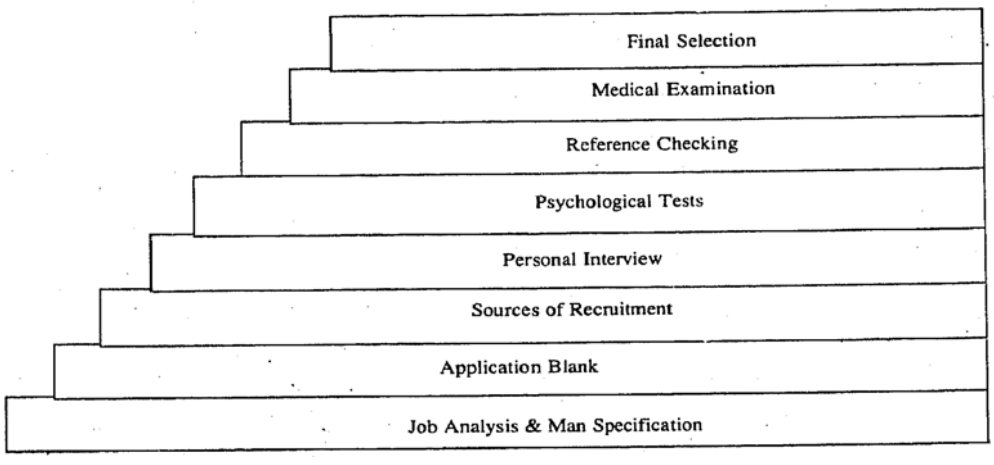
A good salesman creates a good image of the company, as the customer evaluates even the company from the way in which the salesman has behaved. It can thus be said that the salesman who is working under you, represents your face and that of your organisation. To the people he meets casually as well as your customers he handles, he is **YOU** and **YOUR COMPANY**. Therefore, how he conducts himself and how he speaks reflects on you and your company. In addition, proper selection would result in better employer-employee relations as the salesman would be happy in his job. There will be a smaller turnover, meaning that the salesmen will not leave out of disgust or inefficiency. The organisation will have a more effective salesforce, and will enjoy good customer relations.

The Selection Procedure

Adequate selection requires a proper step by step approach. You must first know the type of persons you want. Then it becomes necessary to find out from where you can get them. Then alone can arise the question of actually going about getting the man, testing him and making your final decision. The steps in the selection procedure are given in Figure II.

Let us now go through these steps. In actual practice, often organisations are not very clear as to the type of person they require. They just decide that we need `salesmen'. We have to be more specific. In order to do this, it is necessary to analyse the job for which the salesman is going to

Figure II: Steps in the Selection Procedure



be selected. In good companies, there are **job descriptions** available which give details of the particular job. Even this is not enough, because we want to know the type of man who will be able to fill that job. This is described as man specification and gives the qualities required of the person who can do this job properly.

The job analysis would indicate, for example; the following namely:

1) the difficulties involved in performing the duties (e.g. in case of high priced products, the selling job becomes difficult),
2) the basic duties and responsibilities,
3) the conditions of work, and
4) the personal characteristics required to handle the job.

The qualities required in the salesman may include any one or more of the following, namely:

1) general qualities,
2) specific qualities, and
3) technical qualities.

At times, **technical qualities** are required. If this is not required, one should not try and get a man with a technical background and pay unnecessarily more money. Besides, he may not prove to be a good salesman. Thus we must specify what are the general qualities required in addition to the technical ones, if any.

Many researchers have been conducted to find the **general qualities** which make a good salesman. Given below are some of the **general qualities** which are required of a good salesman.

1) **Honesty and Reliability:** The salesman must be one who can be trusted, as he has to handle even money, besides merchandise. He must be prompt and on the job every day. He must be one who can be relied on not only by you but also by his customers and his fellow employees.
2) **A Self-starter:** A salesman is often on his own, particularly the travelling salesman. He must therefore be able to work without constant supervision.

3) **Orderliness:** He should have a neat and pleasing appearance and must be one who keeps things clean and in good working condition.
4) **Friendliness:** Perhaps friendliness is one of the most important qualities. He must be sociable and must get along well with people, as otherwise he will not be able to sell at all.
5) **Self-control:** He should be able to handle difficult people and not lose his temper or become upset.
6) **Good Handwriting:** He should be able to write legibly, as salesmen often have to write orders and complete report forms.

The above are a few qualities. In addition, many more are given by different people like courtesy, industriousness, initiative, judgment, persuasiveness, and resourcefulness and so on.

We now come to the preparation of an Application Blank listing questions required to be answered by the applicant. From the man specification, we have realised the qualities we are looking for in the salesman. Appropriate questions have to be now drafted so that the answer to these questions will indicate the suitability of the applicant who will thereafter be considered.

Now we are ready to get people to apply for the job, as we are clear regarding what we want and the application blank is ready. Now the question of locating the appropriate person arises. Following are some of the sources from which recruitment can be made, namely:

1) **Internal**, i.e. from inside your own staff as well as through recommendations from existing salesmen or customers.
2) **External,** like (a) advertisements, (b) employment exchanges, (c) educational institutions, (d) from competitor's staff and (e) placement services.

Advertisement is the commonest source from which recruits are obtained. However, the advertisement should be sufficiently detailed so that you are not deluged with a large number of undesirable or inappropriate applicants.

It is common knowledge in India that, even when the advertisement states specifically that "Chartered Accountants need only apply", in practice even B.Com's apply because they feel that

they know accountancy. Therefore, if such a qualification was not mentioned, you can well imagine how many more unsuitable applications would have been received.

Now that we have got a number of applications, we must go through them and weed out those which are obviously undesirable or inappropriate for our requirements. Then comes the important step with which you, as a manager, would very likely be concerned, namely, the personal interview when you come face to face with the applicant and have to determine his suitability for the job. You may indulge in one or a number of interviews as you may deem appropriate.

The greatest advantage of the interview is that you can now see what he looks like and check if he has any undesirable expressions. We have mentioned that certain qualities are required. By asking appropriate questions, you can judge whether he has those qualities from his answers during the interview.

Some organisations indulge in psychological and personality tests. It should be mentioned here that it is difficult to devise proper psychological test that can predict a good salesman with high degree of accuracy. Hence it is not given great importance.

Now that we have almost arrived at a final decision, we must check the references given by him regarding his character, educational background and previous experience. This is an important step and should not be neglected.

The medical or physical examination is not always necessary and should not be indulged in unless it is needed for certain qualities essential for the job. For example, if we want a salesman who can distinguish colours, a medical test showing whether he is colour blind or not would certainly be appropriate. Similarly, if he has to travel consistently, his health condition becomes relevant.

Now the time have arrived when the final decision has to be made about his suitability. Everything done so far has to be reviewed. We must find out whether he is a willing worker. He should not be a "rolling stone", which can be found out immediately if he has had many previous jobs. Even when he has previous jobs, the trend of the jobs-progressive or not will show you his desirability for recruitment. Thus a final decision has to be taken now.

Activity 3

Examine the salesman recruitment and selection process in a large and a small company. Compare how the selection processes differ from each other. Examine the reasons for such difference.

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11.7 TRAINING OF SALES PERSONNEL

Now that we have made the selection, we must provide for adequate training so that the applicant really becomes suitable for the job. Gone are the days when people thought that "salesmen were born and not made". Research has clearly indicated that the person can be trained to become a good salesman.

Research has clearly indicated that the following are some of the factors which exist in case of a good salesman, i.e. a salesman properly trained as against one who was not so trained:

1) He makes a more enthusiastic presentation.
2) He has the ability to clinch the order.
3) He has greater product knowledge.
4) He pays closer attention to ensure that services are rendered to the customers.
5) He has superior territory organisation.
6) He answers objections better.
7) He can obtain more customer interviews.
8) He keeps abreast of competition and competitor activities

The objectives of training are to give the following types of information to the salesmen, namely:

1. **Knowledge of the company,** its background and history. This will give him a perspective as to how he fits into the organization structure of the company.
2. Knowledge of the **Company's products** and more particularly the `selling points' or advantages that he can emphasize with a view to close the sale.
3. Knowledge of **customers**, i.e. details about the types of customers and how they should be handled.
4. Knowledge of **sales and other procedure** which is prescribed, such as how to get orders, what forms to fill up, the sales reports required, etc.
5. Training in the **art of selling** or salesmanship.

The last point is extremely important. Salesmanship is desirable for everybody because it is the art of persuasion.

Now that we discussed the benefits and goals of training, we should consider the three basic types of training which have to be given. In the beginning, break-in/induction training is given, which gives him the basic knowledge or material as already indicated. However, this is not sufficient in practice. The Salesman must thereafter be given coaching actually in the field and put in charge of a senior salesman who is also a good trainer. In addition, from time to time stimulation or motivational training is given at sales conferences and other places, so that the salesman is all the time being updated and motivated.

Having decided what knowledge or information has to be given and where it is to be given. It now becomes necessary to determine how this has to be done. This is what is meant by training methods.

Now that you have given your own answer, let us mention that there are basically three **types of training methods,** namely:

1) the `telling' method
2) the 'showing" method
3) the `discussion' method

The **Telling Method** is the oldest form of communicating information sharing and is often described as lectures. These can be quite boring and the salesman may feel that he is not a

student in a classroom. However, this is a method which is extremely good in communicating information quickly. The other methods take a little time, although they may be more effective in terms of results.

In the **Showing Method,** the trainer actually shows or demonstrates the technique. This is the actual `doing'-more or less like `role playing' and is a very effective method. He may take the salesman to a customer and actually sell. The salesman watches him carefully and thereafter there is a discussion on what happened and how he would have behaved in the particular situation.

Finally, the **Discussion Method** involves the participant in the training process. It permits the trainee to ask questions. He can thus clarify any doubts which might exist in his mind. Even appropriate **case studies** can be provided for discussion and training the salesmen

With the emergence of new technologies, processes and systems in place you find extremely technical products in the market. To sell such new generation technical products it becomes necessary to possess sound technical knowledge and expertise by the salesman to sell and offer services to the customers becomes vital. This paves way for new training methods to be offered to the sales force in the light of fast changing tastes and preferences of the customers in the light of these new technologies and processes. Today, you can see firms offering online training for their sales team making it more interactive and flexible both for the employer and employees. You may identify and make a study on such training methods to keep updated and informed.

Activity 4

Examine the various dimensions of salesman training in your organization. Just in case your organization does not have selling activities, you may visit another organization and study how they train the newly recruited salesman. Are there any deficiencies in the training approaches that you have examined? Can you suggest some modifications?

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11.8 MOTIVATING THE SALES PERSONNEL

The aspect of motivating consists of getting the best effort from the salesman while he is performing his job. If he is a good salesman and likes to sell, he will automatically be motivated. Thus motivation is a function of the salesman himself and the organisation as well as the environment in which he is operating.

In the early days, the disciplinary aspect fear was used to motivate people. Later-on, the economic factor came into existence and stress was laid on appropriate methods of remunerating the sales force. Finally, apart from the `hope of reward' replacing the fear of the sack', psychological incentives are also sought to be used.

Incentives

Incentives are factors which provide motivation, in a positive direction to the person concerned. These may be of two types, namely:

1) Financial and
2) Non-financial or Psychic.

We will now deal with these two types of incentives separately.

Financial incentives are incorporated in the compensation plan. There are several methods used for remunerating salesmen. The following are some of the methods used for remunerating or compensating the sales force namely:

1) A straight salary.
2) Straight commission on sales.
3) Salary and commission on sales.
4) Salary plus commission on sales above a certain amount.
5) Salary plus commission on varying totals or different types of goods.
6) Salary plus a share in the profits.

It will thus be noticed that there are many methods of remunerating salesmen from which a

In case of a **straight salary,** the salesman is paid the amount irrespective of his performance. Thus the remuneration is not geared to his productivity. However, some organisations are of the view that if you select and train a salesman properly and provide adequate salary, it will motivate him as he knows that he can get increments as motivational factors. As against this, the opposite view is that a straight salary makes the salesmen complacent.

If he is given **commission on sales,** there is a direct link of the remuneration with his sales performance. It is true that the commission method is more motivating. However, it can be undesirable, where through no fault of his own; the salesman cannot earn enough commission to support himself and his family. Therefore, the third method is the most popular one where a **basic salary** is given to provide him with the basic necessities of life. If the salesman wants to enjoy life, he must earn his **commission.** This provides the maximum motivation from the compensation structure. Thus motivation should be built into the system itself.

It should however be remembered that the compensation plan should be appropriate. It should be `simple' and not complicated, so that the salesman understands and appreciates it. It should be `personal' so that it would motivate the particular salesman. The plan should be `moderate' and within the reach of the salesman. If he finds that he cannot earn the commission, he will stop trying to increase his sales. The compensation should provide a 'continuous incentive'.

Apart from remuneration as an incentive, there are other methods of motivating salesmen. There are certain `needs' requiring satisfactions in the human being. These are not merely physiological. There is a **need to belong** or **be loved**. This can be provided in the work situation

by the supervisor under whom the salesman works. There is the question of esteem. A pat on the back at the right time can go a long way to motivate the salesman. Finally, there is **self-actualisation,** i.e. a person wants to do better and get promoted further. Thus there are certain needs which can be satisfied through an adequate incentive plan of a non-financial nature. These are called **psychic wages.**

1) **Make the salesman like you,** be fond of you and want to work for you as the supervisor.
2) **Praise him when praise is due**: A good rule of human relations is "to praise in public and scold in private". However, idle flattery will soon be found out by the intelligent salesman.
3) **Respect his personal ego:** He should not be belittled. As already indicated, do not criticize him in the presence of others.
4) **Allow him to participate,** i.e. to discuss with you and help you in the shaping of decisions, particularly those which affect him. For example, when setting the sales target, the salesman can be consulted before a quota is fixed for that particular salesman. This is what is meant by `participation'- the modem leadership technique.
5) **Set a good example:** This is perhaps the most important. The subordinate generally watches his superior and often tries to `copy' him.
6) **Give him emotional security,** by showing him that he is working for a good company, a good boss and a good product.
7) Finally, **show him how he would benefit** and not how the company benefits from his performance.

Thus, for effective motivation, you must inform him as to what is expected from him. Tell him what the company gives him, use the **carrot technique** to get his cooperation and above all set a good example.

Activity 5

As a salesman, indentify which method did your employer followed in remunerating for your services? List out and specify any other incentives that the company offered to you.

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11.9 CONTROLLING THE SALES PERSONNEL

Now we come to the final aspect of the Sales Management function, namely that of controlling. Management consists of (1) Planning, (2) Organising, (3) Motivating, and (4) Controlling. Goals and objectives are provided in the planning stage and the controlling stage is used to `evaluate' how well those objectives have been reached. It is necessary to have some form of control over the sales force. It is true that if salesmen are selected properly and trained appropriately very little control will be required. However, some form of evaluation is considered necessary in management.

The best method of control is naturally **Personal Contact.** This is however not possible from, let us say, the sales manager's level right down to the salesman's level. A supervisor has personal contact over the salesman directly under him. However, as an organisation grows, some other form of control has to be adopted. **Correspondence** is one method where the distance can be obviated. However, the most popular method of controlling salesmen is through **Salesmen's Reports.**

Salesmen's Reports

Let us discuss a little more in depth the question of evaluating the salesman's performance from the salesmen's reports. The Report is generally drafted well and often in a printed form, which the salesman can complete quickly.

As already indicated, the salesman resents report writing type of activity and therefore the report must be drafted very carefully. The following are some of the salient features:

1) The report should be brief.
2) As far as possible a printed form should be used where a check mark (./) would answer most of the questions and very little of writing is required.
3) Information should be so arranged that it can be summarised and used at the home/head office. Please remember that you should not ask questions where the answers are not going to be used by the organisation.
4) Carbon copy must be provided for the salesman.

There are many types of reports used in practice. The tendency is to have many reports and the advice is to have as few as possible. The following are some of the types of the reports used, namely:

1) Expense Account Report.
2) Report of Daily Calls, covering the entire day and giving details for each call separately.
3) Report on Prospective Customers, to indicate how much missionary work is being done.
4) Report on Customer's Complaints.
5) Reports on Demonstrations.
6) Reports on Working Plans.
7) Report of Customer's Inventories.

You can thus well imagine that there are a host of reports from which a selection can be made. Today, the reporting system has changed drastically in view of Information and communication Technology, being in place to connect and report to the manager or the Head office about the whereabouts and the daily activities of the salesman to all the concerned.

Allocation of Territories

Now supposing you have about a hundred salesmen to cover the whole of India, you naturally have to divide India into one hundred parts and allocate one part to each salesman... we are sure you must have realised that you cannot just take the map of India and cut it into one hundred equal parts and allocate them to the salesmen. If you do this some of your salesmen may get mountains or desert, where no prospects exist. The following are some of the factors which determine in the allocation of the territory:

1) Prospect density, i.e. the number of likely customers in the area concerned.
2) Extent of ground to be covered.
3) Possible volume of sales.
4) Frequency of visits required.
5) Intensity of selling required, i.e. the time taken up by each interview.
6) Convenience of getting from one place to another includes modes of transport provided or available.
7) The rate at which the shopkeeper buys and resells.
8) Whether the product is easy or difficult to sell. Considering all these factors and the number of salesmen available, it then becomes possible to allocate the territories intelligently.

It should be remembered that salesmen are anxious to get as large a territory as possible. Experience has however indicated that a smaller territory is better, as the salesman takes less time in travelling from one prospect to another and provides greater depth of effort. It is better to have this intensive rather than the extensive cultivation of a territory.

Activity 6

Collect all the reporting formats used by a salesman working for a marketing organisation. Analyse them and record the various types of information provided by the salesman. Comment on the usefulness of such information for the company as well as for the salesman himself.

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11.10 SUMMARY

In this unit we discussed the nature, role, types and the planning process involved in personal selling function. Personal selling is a direct person-to-person selling and promotion method. The specific role and goals of personal selling vary from firm to firm depending upon nature of goods marketed, distribution system used, and the sales strategy adopted by a firm. The changing market environment calls upon the sales force to transform itself in order to perform a more creative role.

Based on the degree of creativity required, McCurry classifies the sales positions into seven types-merchandise deliverer, inside order-taker, outside order-take, missionary sales person, sales engineer, tangible product seller and intangible product seller. To accomplish the job of making a sale satisfactorily, a salesperson should follow the basic elements of the selling process. These are: preparation, prospecting, pre-approach, approach, sales presentation, handling objections, closing the sale and post-sale follow up. An understanding of each element helps a salesperson in developing skills necessary for successful selling.

You have understood the importance of the selling effort and the functions of the sales man of the company. Basically, the sales manager has to get the targeted sales, i.e., sales as decided by the marketing manager or the top level of the organisation. He has to do this through the sales force at his disposal. He must therefore select very carefully.

Once you have recruited somebody, it is not necessary that he would have the proper ability. Adequate **training** must therefore be provided so that he understands more about your company, your products and your policies as well as philosophy.

Thereafter, the question of **motivation** becomes important. We have appreciated how financial incentives can be provided to the salesman. Finally, some extent of **controlling** the sales personnel is essential.

Now let us briefly recapitulate what we have covered. We have realised that we are on a very important aspect of managing the human resource. People are difficult to handle and yet, if you provide the correct environment they will be able to manage and motivate themselves. It is

therefore essential to provide a proper system for motivation rather than have a detailed controlling procedure in managing the firm's sale personnel.

11.11 KEY WORDS

Canned Presentation: A structured sales presentation made of an inflexible nature.

Cold Canvassing: Door to door conviction and sale of products.

Lead: Name of an individual or organisation who might be a prospect.

Prospect: A lead who can both benefit from the use of the product and afford to buy it.

Prospecting: The step during which probable customers are found for the product or service.

Industrial Salesman: Salesman, who deals with the industrial market, i.e. deals with organisations who buy goods and services to produce other products or services which are thereafter sold again to others.

Job Description: This describes the job in detail, indicating what the salesman will have to do including the difficulties that he may have to face in selling the company's products.

Man Specification: This provides the qualities which are required of the salesman who can best fill the job as described in the job description.

Personal Selling: Oral presentation by a salesman in a conversation with one or more prospective purchasers with a view to effect the sale.

Pre-approach: This is the stage just before the salesman actually approaches the customer, in which stage he tries to find out as much as he can about the prospect so that his job at the time of approach would become easy.

Presentation and Demonstration: This is the stage where the salesman tries to affect a sale by actually showing the product and demonstrating it in use.

Prospecting: This is the stage where the salesman collects information of possible customers known as prospects**.**

Sales Quota: A **sales goal or quota set** for a product line, or representative or even a company division for defining and stimulating sales effort by such individual or unit.

Sales Territory: This is the geographical area which is assigned to a particular salesman for his operation with a view to sell or carry out his selling activities in that area.

11.12 SELF ASSESSMENT TEST

A) Check whether the following statements are True or False

	Statement	True	False
1	Personal selling provides marketers with greatest opportunity to adjust a message to satisfy customers' information needs.	☐	☐
2	The personal selling process begins with approaching the customer.	☐	☐
3	An important function of the technical sales person is to provide advice to the application of the product.	☐	☐
4	Missionary salesperson is a position where salesperson build goodwill and educate the consumer while taking orders and selling the firm's goods and services.	☐	☐
5	Getting the order is called closing the sale.	☐	☐
6	Objections tell the salesperson how far away the sale.	☐	☐
7	Sales promotion tends to be used to build up brand loyalty.	☐	☐
8	The short-term trade promotion used frequently with the introduction of a new product is a buying allowance.	☐	☐
9	Consumer sales promotion schemes stimulate trade to carry a product and promote it aggressively	☐	☐
10	Sales promotion activities are only appropriate when directed at the salesforce level.	☐	☐

B) Tick the Most Appropriate Answer

1 Creative selling, which requires a salesperson to recognise the potential buyer's need and then to provide the prospect with the necessary information, is performed by sales position called
   a) order-taker
   b) missionary salesperson
   c) technical salesperson

2 Learning about the potential buyer, the buyers' purchasing process and needs, and anything else that could be helpful in the selling process is the activity of:
   a) the approach
   b) the preapproach
   c) qualifying

3 The most effective short-term sales promotion incentive results from
   a) price-off
   b) coupons
   c) premiums
   d) contests

4 In establishing sales promotion objectives, marketers
   a) focus on consumers
   b) focus on trade
   c) concentrate on activities that will increase consumer demand
   d) align objectives with the overall 'organisation' objectives

5 The most effective sales promotion scheme to use in the product information is:
   a) demonstration,
   b) push money,
   c) samples,
   d) coupon,
   e) contest.

Key to Self-assessment Exercises

A) 1 (True), 2 (False), 3 (True), 4 (False), 5 (True), 6 (True), 7 (False), 8 (True), 9 (False), 10 (False).

B) 1(b), 2(b), 3(a), 4(b), 5(c)

You may answer the following questions for self-assessment in a separate exercise book. You can, as usual, refresh your memory before starting to answer the questions.

Questions:

1) "Sales Management is primarily a matter of selecting and training men, then evaluating their performance."
   Do you consider this recent statement adequate or helpful in identifying sales management's responsibilities? Give your comments in detail.
2) Mention briefly the sources from which you can get sales personnel as new recruits.
3) Mention the types of training you would provide for salesmen of a company selling medicines.
4) Explain the several methods available for remunerating the salesmen and give your opinion as to the most desirable system.
5) Explain the need for non-financial motivation for salesmen and mention some of the methods through which this can be achieved.
6) Mention briefly the factors that have to be considered in order to objectively determine the sales territories for allocation to salesmen.
7) Explain the concept and role of personal selling. With suitable examples discuss the different types of selling jobs that you are familiar with.
8) Discuss the steps involved in the selling process and highlight the importance of the degree of creativity that is required to in each of these steps for success.

11.13 FURTHER READINGS

Philip Kotler [e] *Marketing Management, 11th* edition 2008, PHI- New Delhi

P.K.Sahu, K.C.Raut, *Salesmanship and sales Management,* 3rd edition, Vikas Publication, New Delhi

UNIT 12 DISTRIBUTION MANAGEMENT

Objectives

After completing this unit you should be able to:

- understand the concept of distribution management
- appreciate its importance in the marketing mix
- discuss the different channels of distribution
- understand the role, importance and types of intermediaries.
- realise the issues in efficient distribution in contemporary times.
- ascertain the factors that determine choice of channel selection
- understand the distribution strategies adopted by the firm
- role of channel system as an important link between the manufacturer and the ultimate customer

Structure

12.1 Introduction to Distribution

12.2 Definition of Distribution Management

12.3 Need for Distribution Management

12.4 Channels of Distribution

12.5 Types of distribution channels

12.5.1 Direct Channel

12.5.2 Indirect Channel

12.6 Intermediaries

12.6.1 Wholesalers

12.6.2 Retailers

12.7 Factors determining choice of channels of distribution:

12.7.1 Product Related Factors

12.7.2 Company Characteristics

12.7.3 Competitive Factors

12.7.4 Market Forces

12.8 Distribution Strategies

12.9 Channel System

12.10 Channel Conflict

12.10.1 Causes of Marketing Channel Conflict

12.10.2 Management of channel conflict

12.11 Distribution Management Challenges

12.12 Elements of Distribution Management:

12.12.1 Traditional Elements

12.12.2 Emerging Elements

12.13 Summary

12.14 Self-Assessment Test

12.15 Further Readings

12.1 INTRODUCTION TO DISTRIBUTION

In the earlier units we have discussed and familiarised you with important terms like needs, wants, customer, markets, competition, sales, marketing and a host of relevant terms pertaining to marketing function. We have also touched upon how businesses and firms reach out to their target market segments through well blended and well defined marketing mix elements and strategy formulation for the business. Besides, we did talk about the elements of marketing mix

for products comprising of i.e. product, price, place and promotion (generally referred as 4P's of marketing mix). While the elements of services marketing does include the same four elements i.e. product, price, place and promotion and an additional three more elements namely, physical evidence, process and people (generally referred as 7P's of service marketing).Which will be discussed at length in Unit-13 of this course.

If you notice carefully at the elements of marketing mix of both products and services "Place" is common to both. This suggests that "Place" play a pivotal role to sell the right product/service to the right customer at right price at and at right time thus assumes significance to every marketer. Therefore the focus of this unit will be on "Place" wherein all distribution activities and functions focus on this aspect of the marketing mix. It is one link in the chain, which starts from suppliers to manufacturers and finally to the point of sale.

Very often we come across that during festive season or on any other happy occasion we tend to buy gifts for friends and relatives as we all believe in the joy of giving something to someone near and dear on such joyful celebrations. Assume that your friends or relatives stay in another city then what do you do? How do you send the gift to them? Yes, you do have a solution to either send them by courier or by online delivery. Thus, a delivery company is a type of distribution process. In the same way firms create a distribution system that enhances the reach of the firm's offerings to the end customer at the right place and right time which is at the core of distribution.

12.2 DEFINITION OF DISTRIBUTION MANAGEMENT

The function of distribution is in providing three utilities namely place, time and possession. For example, if you need a notebook, you will go to the nearest stationery shop and purchase a "Classmate" notebook. This nearest stationery shop offers you "Place" utility. You could get the notebook close by your residence. If you need to buy a gel pen at 9.00 pm then also you can go and purchase it at that time. So you get "time" utility. Having purchased the notebook and pen and you can take it back home. You get "possession" utility. In all these instances, ITC, a leading Indian Multinational company sells "Classmate" notebook and Cello Pens India, which sells "Cello Pointec Gel Pens", has ensured that you can avail of all the three utilities very conveniently without any difficulty.

Let's look at a couple of definitions of distribution as per the American Marketing Association, "distribution refers to the act of marketing and carrying products to consumers. It is also used to describe the extent of market coverage for a given product. In the 4 Ps, distribution is represented by the word place or placement". According to Mossman & Norton "distribution is the operation which creates time, place and form utility through the movement of goods and persons from one place to another".

To sum up, ***distribution management can be defined as a combination of all activities which facilitates movement and co-ordination of supply and demand in creation of time, place and possession utility in goods.*** It is the art and science of determining requirements, obtaining them, distributing them and finally maintaining them in an operationally prepared condition. Therefore, the broad range of activities concerned with the efficient movement of finished products from the end of the production line to the consumer and also the movement of raw materials from the source of supply to the beginning of the production line, fall under the domain of Distribution Management (Fig 12.1)

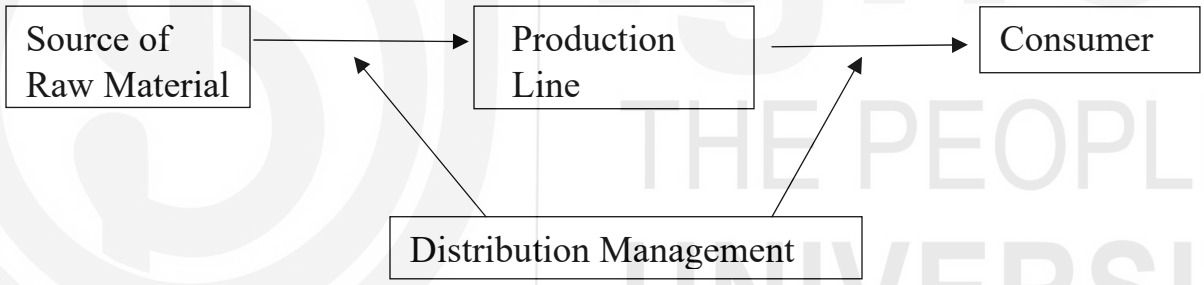

Figure 12.1 Domain of Distribution Management

Through distribution activities a company ensures that a sequential flow of products and goods from the source of raw material through the production/operation is made available to the final customer. This involves a sequential flow of procedures, systems and activities which are designed and linked to facilitate and monitor the movement of goods and service from the source to the consumer.

12.3 NEED FOR DISTRIBUTION MANAGEMENT

In the previous section, we saw that "Classmate" Notebook was made available at the local stationery shop through distribution management. It is manufactured by ITC, which has its

headquarters in Kolkata. To reach out to its customers, ITC has an unmatched distribution network. Its products are available in 4.3 million retail shop/outlets/stores in India. ITC constantly tries to make the products reach to the retailers as quickly as possible. ITC's Paperboards and Specialty Papers Division has four manufacturing units, eight regional sales offices and over sixty dealers in India. At the backend ITC sources good quality raw materials from 17 states in India through its e-choupal network.

A good distribution system performs the following ***functions*** for the company;

- It helps in tracking the growth and decline in demand of the company's products/ services.
- It enables to design and implement a joint marketing strategy with the distributor and retailers, like customising sales arguments, pricing and discount structures based on the local situation/conditions.
- The firm can give marketing support, product sales training, after sales support, etc., with the help of a good distribution network.

The ***objectives*** that need to be kept in mind viz., a viz., distribution are;

i. The major objective of distribution is getting the right goods to the right place at the right time at the least possible cost.
ii. To fully make use of the available human and material resources to the maximum possible extent without wastage.
iii. To enhance the rapid growth and development of country and organization

12.4 CHANNELS OF DISTRIBUTION

Distribution channels are the methods by which companies deliver products and services to customers and end users. Some businesses sell directly to their customers, while others might use a retailer or wholesaler to serve as an intermediary. Companies may also use agents or brokers to facilitate the movement of products to distributors that sell those wares to the customer. At the beginning of this unit we had discussed the examples of "Classmate" notebooks. The company has chosen an extensive network of dealers and retailers to reach you. When the business is on a

small scale like a local sweet shop, the customers can directly go and purchase from the shop. In such cases, the business and the customers are in close proximity. Suppose this sweet shop expands, and starts making other products, it would require a larger customer base. These customers might not be in close range of the exact shop. Their product might be sold through someone to customers who are residing far off. This "someone" becomes an intermediary. Haldiram is one such sweet company which has gone on such a large scale and expanded its business that now it has various ways/channels to reach the customer more conveniently.

Philip Kotler defines channel of distribution as ***"a set of independent organisations involved in the process of making a product or service available for use or consumption".***

Distribution channel has been defined by Hill, *"**Distribution channel consists of one or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer"*** (Hill, 2010.)

The role of distribution channels through an example

a) When there is no channel of distribution:

When a customer wants to buy soap, rice and toothpaste etc there is no channel of distribution. Meaning thereby the product has to be delivered to the end customer, directly by the producers of the above mentioned products. Imagine the difficulty in reaching all the customers that a manufacturer will face. Secondly farmer growing rice may not have the resources to reach out to its customers and deliver it in a mutually satisfying transaction.

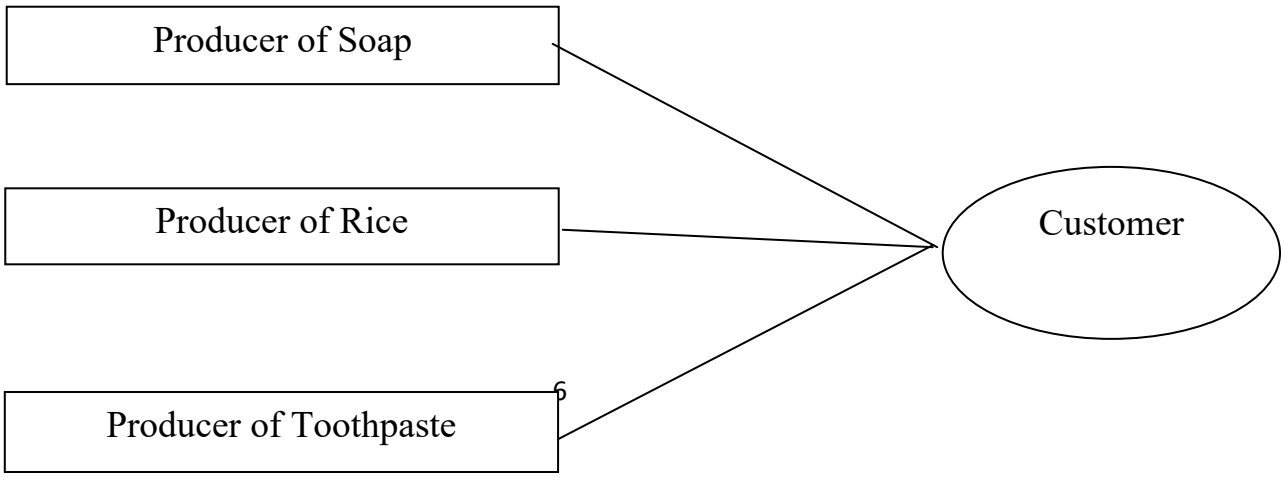

Fig 12.2. No intermediary in the distribution process

b) When there is a channel of distribution involving a retailer: In the above case, even if one intermediary (retailer), is involved, the process becomes simplified not only for the customer but also for the producer. The product can now be available to a larger number of customers, with less effort on the producer's side.

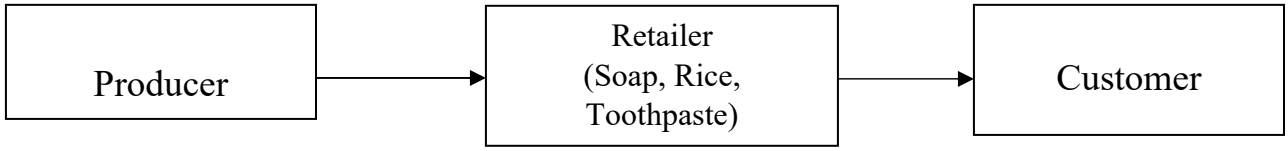

Fig 12.3 One intermediary in the distribution process

Activity 1

a) List down any six products of the top two FMCG companies in India. Keep in mind that these companies have rural as well as urban presence..

b) Note down the places/ platforms from where you can purchase the products that you have listed.

c) Which places/ platforms give you the maximum convenience and why?

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12.5 TYPES OF DISTRIBUTION CHANNELS

Broadly speaking the distribution channels can be classified as follows:

a) Direct Channels
b) Indirect Channels

12.5.1 Direct Channel – When the producer or the manufacturer directly sells the goods to the customers without involving any middlemen, it is known as direct channel or zero-level channel. It is the simplest and the shortest mode of distribution. Selling through post services, internet or door to door selling etc. are some of the examples of this channel. Nykaa, Homeshop 18 etc. are cases of direct channel .

(a) ***Door to door selling***: Very small companies or start-ups sell their products via this method. You might have seen vendors selling "papad", clothes etc. This method of selling directly to customers is more common and visible in semi urban and rural areas and also in big capital cities across India.

(b) ***Internet selling:*** Currently, this has become the most common phenomenon among most of the marketers across sectors to tap tech savvy customers. In cases where the target audience is approachable through internet, it is far easier for companies than other methods. Generally it caters to those potential buyers who are interested enough in the firm's merchandise only approach the company. For example, "HealthifyMe" is selling different types of salads for health conscious people.

(c) Mail order selling: As the name suggests that the products are generally sold through mails as they might not be readily available in local markets. In such cases, the goods need to be durable, and of standardised qualities. The delivery costs should also be considerably low. Mostly books and magazines are sold through this method. E.g., Reader's Digest.

(d) Company owned retail outlets: Instead of using other retailers to sell its products to customers, company establishes its own company exclusive retail outlets to cater to customer as one stop shop for all the its merchandise under one roof examples are Raymond's Shoppe, Calico Mills, Dell computers etc.

(e) Telemarketing: The products are promoted for selling through call centres over outbound calls. Sometimes the company can receive calls on a helpline number regarding their products demonstrated on television. These are inbound calls. For example Home shop 18 etc.

12.5.2 Indirect Channel – When a manufacturer or a producer uses the services of one or more middlemen to distribute goods, it is known as indirect channel. This is the most commonly used channel. As businesses expand it is not feasible for companies to reach all markets directly. The different levels of indirect channels are;

a) ***One Level* channel**: This channel involves the use of one middleman i.e. retailer who in turn sells them to the ultimate customers. It is usually adopted for speciality goods. For example – Tata sells its cars through company approved retailers.

Manufacturer→ Retailer→ Consumer

b) ***Two Level channel:*** Under this channel, wholesaler and retailer act as a link between the manufacturer and the customer. This is the most commonly used channel for distributing goods like soap, rice, wheat, clothes etc.

Manufacturer→ Wholesaler→ Retailer→ Customer

c) ***Three Level channe:*** This level comprises of three middlemen i.e. agent, wholesaler and the retailer. The manufacturers supply the goods to their agents who in turn supply them to wholesalers and retailers. This level is usually used when a manufacturer or farmers (growing dry fruits, saffron, etc.,) deals in limited products and yet wants to cover a wide market.

Manufacturer → Agent → Wholesaler → Retailer → Consumer

12.6 INTERMEDIARIES

As mentioned in the earlier section intermediaries can be an agent, a group of people or an organization that facilitates the flow of goods from the producer to the final consumer. They can be broadly classified as a) Agent middlemen and b) Merchant middlemen

1. Agent Middlemen*:* If you intend to sell or purchase property may be a flat or a house, generally you contact real estate agents who help you in selling or purchasing the desired property. Similarly when you want to purchase company stocks or shares from the market, you seek the help of brokers. Even online brokerage houses fall under this category. These are called agent middlemen. They do not take ownership of what they are selling. They earn money by charging a facilitation fee.

2. Merchant Middlemen: Merchants are a set of intermediaries like wholesalers and retailers, buy and re-sell their goods. They not only take the ownership of inventory, but they also bear the expense of storing and distributing the product. They charge a certain "mark-up" amount to the actual cost of the product. For example, they might have purchased a toothbrush at Rs. 20 and might sell you the toothbrush at Rs.25. This five rupee difference is called the mark-up which the middlemen earn in the transaction for all the tasks that he undertakes from buying to storing to distributing the product.

12.6.1 Wholesalers

The American Marketing Association has defined the wholesaler as ***"a business unit which buys and resells the merchandise to the retailers and the merchants or to the industrial, institutional and commercial users but does not sell insignificant amounts to the ultimate consumers."***

Wholesalers are those merchants who act as intermediaries between the primary producers, manufacturers or importers, on one side, and retailers or industrial consumers on the other. They buy goods and commodities in large quantities with a view to selling them to retailers in smaller quantities. They assemble/collect merchandise from many sources, warehouse/store and regroup the goods for convenient buying by retailers. Thus wholesalers make it possible for the manufacturer to sell to a large number of retailers to whom the merchandise cannot be easily sold directly from the factory. In the light of the business activities they perform they play a dual role as a buyer and as well as seller.

The wholesaler performs the following important functions of marketing:

i. **Assembling**-The wholesaler collects varieties of product from different manufacturers and keeps them in stock for sale to the retailers at the time when they need them.

ii. **Dispersion-**The products assembled and stocked by the wholesalers are supplied to the retailers who may be widely scattered.

iii. **Warehousing-**The goods purchased by the wholesalers from the manufacturers and producers have to be stocked in warehouses pending their sale to the retailers. The arrangement for such storage is the responsibility of the wholesalers.

iv. **Transportation-**The wholesaler has to move the goods from the various factories to his own warehouse and from there to the retail stores. He may do so either by employing his own vans or by hiring public carriers or a combination of both.

v. **Financing**-The wholesaler in most cases provides goods on credit to the retailers based on the credit worthiness of the retailer.

vi. **Risk-assuming**-The wholesaler by virtue of their business model do assume the risk arising out of the changes in prices and demand as also loss due to spoilage or destruction of goods in his warehouse.

vii. **Grading and Packaging-**The wholesaler has to sort out different grades of products according to quality and other considerations and pack the goods into smaller lots for retailers.

Services provided to the manufacturers by wholesalers include the following:

i. The manufacturers get the benefit of bulk orders from wholesalers. He does not have to take the trouble or incur the expenses of procuring large number of small orders.

ii. Wholesalers remain in close touch with the retailers and keep themselves informed about the changes in the direction and pattern of demand and thus help the manufacturers in planning their production function.

iii. The wholesaler places bulk orders with the manufacturer and thus enables him to concentrate on production.

iv. The wholesaler to a great extent relieves the manufacturer of the trouble of performing most marketing functions.

Services provided by wholesalers to the retailers include:

i. The retailer need not stock goods in unduly large proportions and can replenish his supplies from the wholesalers as and when necessary.
ii. The wholesalers provide goods to the retailers on credit and the retailers need not block their funds in idle inventories.
iii. The wholesalers generally specialise in a few lines of allied goods and try to obtain their supplies from the best and the cheapest source. The advantages of such specialisation are passed on to the retailers in the form of lower prices or may in the form of discount and rebate.
iv. The wholesaler assumes most of the risks involved in marketing functions such as price fluctuations and spoilage or pilferage of goods.
v. Wholesalers keep the retailer informed of the new types of products that are being introduced in the market. This gives the retailers an opportunity to extend their business.

Types of Wholesalers

Depending on the nature of the product/goods, type of industry and the type of market it caters to, different types of wholesalers can be found. In highly fragmented industries as with unbranded clothes or farm produce, there could even be different levels of wholesalers. Wholesalers could also specialize in one function. For instance a wholesaler could specialize in warehousing. Such a wholesaler maintains a big warehouse and specializes in the storage function and depends on others for other functions such as transportation, financing insurance etc.

Dibb et al. (2006) classify wholesalers into two broad classes- (i) merchant wholesalers and (ii) agents and brokers.

(i) Merchant Wholesalers*:*

Merchant wholesalers buy goods from manufacturers and sell them to retailers or industrial buyers. Such wholesalers therefore take up the tide to the goods. This is an important function that has to be performed for the flow of goods from the manufacturer to the ultimate customer.

Merchant wholesalers can be classified as either full-service wholesalers or limited-service wholesalers. Some of the types of merchant wholesalers that are seen around the world are:

(a) General merchandise wholesalers,

(b) Limited line wholesalers,

(c) Cash-and-carry wholesalers,

(d) Truck wholesalers, and

(e) Drop shippers.

(a) *General Merchandise Wholesaler*:

General merchandise wholesalers deal with a large variety of items without much depth in each category. A wholesaler could, for instance, deal in grocery items, selling products from a few manufacturers to retailers. Such a merchandiser provides all the services including warehousing, transportation, and financing to the manufacturer.

Such large general merchandisers typically dominate a geographic region, supplying merchandise to most of the retail outlets in a particular region. A general merchandiser typically deals with multiple brands, though some of them may deal with just one large manufacturer for a particular line of merchandise.

(b) *Limited Line Merchandisers:*

A limited line merchandiser typically specializes in just one product category and can either be an exclusive wholesaler representing a particular firm or a multi brand merchandiser. Limited line merchandisers deal with products such as pharmaceuticals, hardware, paint, cement, and steel. Some limited line merchandisers serve a niche market (for example, laboratory equipment to be sold to medical laboratories and educational institutions etc.).

In certain markets where manufacturers are small and fragmented, limited line merchandisers can be powerful. The industry must rely on the wholesalers to sell to their customers. Such wholesalers typically have in-depth knowledge about the market and its players. These limited line merchandisers are very useful for small niche manufacturers who serve a small but important market.

(c) *Cash-and-Carry Wholesalers*:

Cash-and-carry wholesalers are a new wholesale category in India, but have existed for quite a long while in other countries. The Wal-Mart group's is an example to make an entry into India through a cash-and-carry wholesaling format. In cash-and-carry wholesaling, retailers could buy

goods in bulk (often carton loads) at a reduced price, to be resold at a higher price in their retail outlets. Cash-and-carry set-ups are typically large warehouses with little display and fewer staff. Goods are only sold in bulk and without any credit lines.

Cash-and-carry wholesalers are therefore classified as limited service merchant wholesalers. Small retailers who can rely on cash-and-carry retailers benefit, as they get access to goods without any waiting time and at a low priced. Cash-and-carry wholesalers only deal with high turnover items such as groceries and stationery items. With the entry of large wholesale groups into India in the future, more such cash-and-carry wholesalers can be expected. Metro cash and carry is another wholesaler who has a strong presence in the Indian wholesale business.

(d) *Truck Wholesalers*:

Many small wholesalers in the Indian FMCG sector which serve small independently-owned retailers are actually truck/mini van wholesalers (sometimes called truck jobbers). These truck/mini van wholesalers typically transport small quantities of typically perishable commodities (such as bread, biscuits, snack items etc.) to retail outlets where the retailer could inspect and purchase goods from the truck.

Such truck/ minivan wholesalers are typically small operators and could carry a variety of multi-brand items. They often do not provide credit lines and are typically owned by other large wholesalers. These wholesalers provide critical transportation and stocking services to the distribution channel. They are also involved in managing the inventory of small retailers.

(e) Drop Shippers:

These intermediaries are sometimes called desk jobbers. They do not take physical possession of the goods. They collect orders from retailers or industrial buyers and arrange for these to be transported to the customers from the manufacturer. The ownership of the goods will pass on to drop shippers from the time the contract is signed with the manufacturer, until the goods are received in proper condition by the buyer.

Such wholesalers are typically seen in commodity markets, where transaction volumes are typically very large, such as markets for oil, coal, and iron ore. Drop shippers provide value by

linking several fragmented customers to suppliers who are often based in a totally different continent.

***(ii) Agents and Brokers**:*

Agents and brokers typically provide sales support for the manufacturers by offering the services of a sales force network and related infrastructure. Agents and brokers thus enable manufacturers to expand their markets without the overhead associated with establishing a sales force. Agents could represent just one manufacturer or a group of manufacturers who have complementary products. Clearing and forwarding (C&F) agents are quite common in Indian markets as they provide a means to avoid multiple sales tax regimes.

Different types of wholesalers therefore facilitate the transactions between different players in the market. They provide value by performing several activities that are important to the smooth flow of goods and services from the manufacturer to the end consumer.
In certain industries, the nature of demand and supply provide opportunities for wholesalers to grow in stature and become the most powerful entity in the market**.**

12.6.2 Retailers

A retailer is defined as ***"a middleman who sells mainly to the ultimate consumer. He may sell to institutions but most of his sales are made to industrial or household consumers. He usually sells in small lots".***

The retailer is the last link and the most important intermediary in the chain of distribution. Mass production in the present day set-up is geared to the requirements of the ultimate consumer. Retailers are directly and intimately in touch with the ultimate consumers and thus occupy a strategic position in the whole chain of distribution. The basic feature of retail trading is the purchase of goods from wholesalers and selling it in small lots to consumers. Thus retailing includes all activities directly related to the sale of goods to the ultimate consumers. The retail shop is one of the oldest and most widely used business establishments in any country. Retail business originated through the use of peddlers engaged in house to house sales. This was followed by opening up of small retail shops usually owned by sole proprietors or small

partnership firms, which are frequented by customers for obtaining their requirements. In course of time, large retail stores like department stores, co operative stores, super bazaar etc became popular in developing countries.

In addition, people living in far off places are served by mail order houses who solicit business by catalogues, advertisement in popular magazines or correspondence. The latest development is retailing through automatic vending machines. Most standard items in standard packs including food items are available in most developed countries through automatic vending machines located at convenient places like railway stations. Air ports, commercial places etc. Milk-vending machines are now being used by Mother Dairy in India.

Following are some of the functions of retailers:

i. Estimation of the probable demand of the consumers for the various types of goods dealt by him.
ii. Assembling of various types of goods from different wholesalers
iii. Sale of the various products to the consumers as and when needed by them
iv. Physical movement of goods from the wholesaler's godowns to their own establishment in case such a service is not provided by any wholesaler(s)
v. Warehousing/storage of goods to maintain uninterrupted supply of goods to the consumers
vi. Standardisation, grading and packing of goods in consumer packs, if necessary
vii. Assumption of risk of loss of goods by fire, theft, deterioration, etc., so long as they are not disposed of to the consumers
viii. Extension of credit to some selected regular customers
ix. Providing information about consumer tastes and preferences to wholesalers/ manufacturers.

Services rendered by the Retailers to consumers:

i. By holding ready stocks of various commodities required by the consumers, retailers relieve the customers of the need for stocking a wide variety of goods which could be extremely inconvenient and cumbersome.

ii. By keeping a good assortment of the various varieties of a particular product, say soaps, toothpastes, etc. retailers provide a wide variety of choice to their customers.

iii. By proper display of new products, the retailers keep the consumers informed about the availability of new products and the variety of different goods.

iv. Retailers very often guide their customers about the relative merits of the various brands of a particular product and thus help them in the selection of goods.

v. Retailers may provide special facilities to their customers, for example, free home delivery, extension of credit, after-sales service, etc.

Coordination between wholesalers and retailer:

Effective coordination between wholesalers and retailers would lead to a reduction in the overall operating expenses involved in the distribution function as follows:

- Economical Buying-wholesalers know what, when and how much the retailers will buy.
- Economical warehousing and delivery-as the wholesaler knows the nature, amount and frequency of retailer's orders, he can plan his operation in the most economical manner.
- Economy in selling because the effort involved in selling is substantially reduced.
- Economy in office and administrative expenses-the work involved can be better planned and organised.
- Reduced wholesale expenses permit the wholesalers to quote lower prices to retailers and this in turn permits a reduction in retail prices which ultimately benefit the consumers

Type of Retailers

There is a wide variety of retail trading establishments. They vary from hawkers and peddlers to big departmental stores. Hawkers and peddlers move from door-to-door in residential localities to sell their goods. Pavement shops usually arrange their wares at busy street corners or pavements of busy streets. Some traders sell their wares at weekly markets which are very common in rural India, and are not uncommon in urban centers. For example, in every state capital and in other major locations of every city weekly markets is a common sight. Then there

are fixed shop retailers who operate from shops in busy markets or even in residential areas. These stores may be either general stores dealing in a wide variety of goods needed by consumers in their day to day requirement or may be shops dealing in a particular item, as for example, cloth, shoes, building materials, electrical goods, confectionary, etc. Stores dealing in a particular line may further specialise, as for example, children's wear in clothing. Then there may be bigger stores like departmental stores and multiple shops. As all of us are familiar with small scale retail establishments and their modus operandi, we will confine our discussion to a limited variety of large-scale establishments.

a) Department Stores

Thus department stores are characterized by their wide product mixes. That is, they carry many different types of merchandise, which may include clothing, appliances and other items. The display of this merchandise is done separately within the store. The depth of the product mix depends on the store, but department stores' primary uniqueness is the ability to provide a wide range of products within a single store. For example, if you visit Big Bazaar, you can shop for clothes, vegetables, utensils, consumer durables, and groceries etc., all in one store/shop.

Thus a department store is a large-scale retail establishment comprising a number of departments, each department specialising in a separate line of products. All these departments are under one roof and one unified control. The consumer can find all what he needs in one store rather than move around from shop to shop. These stores are located in almost all major cities including major towns sothat they are easily accessible to customers.

Traditionally, department stores grew up in developed countries mainly to cater to the requirements of well-to-do people who required articles of high quality and looked forward for comfortable shopping. But they have also become popular in urban centres in many developing countries. The launch of departmental stores in India can be traced back to 19th century the first being **Spencer & Co Ltd.** established in the year 1895 in Madras Presidency, and in 1897 it was **Akbar ally's**, in Mumbai, but in mid 1990's followed some more departmental stores in urban areas, especially in Metropolitan Cities.

Advantages

1. Department stores make shopping convenient to consumers by providing them a whole range of goods under one roof.
2. Their central location attracts a large number of customers leading to a large turnover. Thus they can afford to make large profits even with smaller margins.
3. Bulk-buying by department stores enables them to obtain heavy discounts from manufacturers and thus buy at a cheaper rate. There are savings in freight charges as well.
4. Department stores can afford to have effective advertising through press, radio and television and thus they are able to attract more and more customers.
5. Being large business units, department stores can afford to employ skilled and expert staff for all their operations and thus they are able to achieve a high degree of efficiency in their working.

Disadvantages;

1. The running costs for such establishments are relatively high, as they are centrally located.
2. The customers may not get personalised attention.
3. Experience has shown that operating costs of department stores tend to become very high because of the necessity to run some departments at a loss to attract customers and heavy emphasis in service. As a result, more often than not, their goods are marked at higher prices.
4. Central location also involves higher rents and thus higher overheads. Central location may not be convenient to persons living in far off places which mean that they will make their purchases of articles of everyday use from nearby shops. However, in recent years, department stores have branched themselves out to suburban areas as well to reach the customers nearer their location.

b) Multiple Shops or Chain stores

Conventionally, the other term for chain stores is multiple shops which control a number of stores under one common ownership and management. These multiple shops are located in

various cities and in various localities of bigger cities. Multiple shops refer to a group of retail stores dealing in similar types of goods. The basic idea behind the establishment of the multiple shops is to approach the customer in his vicinity unlike department stores which seek to attract customers to a central location. These shops could be operated by manufacturers or by wholesalers with the basic objective of eliminating retailers. Bata Shoes and Usha Sewing Machines are the two classic examples ofproducts for which multiple shops have been opened by manufacturers in India. Today, almost most of the businesses or brands do operate chain stores for expanding and penetrating the business.

While a chain store is a retail company having more than one branch in one city/ town. Since there are many retail points of one chain, the retailer gets the advantage of bulk purchasing. Therefore, they can substantially lower the prices as compared to retailers who have only one shop or unit. Furthermore, chains were able to attract many customers because of their convenient locations, made possible by their financial resources and expertise in selecting locations. For example 7-Eleven, Easy Day, etc.

Advantages

1. Multiple shops are able to offer lower prices due to the economics of bulk buying.
2. As sales are on cash basis, losses on bad debts are eliminated and accounting is also made simpler.
3. Rapid turnover and common advertising and promotion strategy for all shops/retail outlets make their operations more economical.
4. Any shortage of goods faced by one branch can be easily made up by transfer from some other branch in the same city.
5. Since advertising material and interior layout of each shop is Similar, each shop serves to advertise the other shops. This leads to further economy in advertising and a quicker turnover.

Disadvantages

1. Multiple shops/chain stores offer less variety of choice in comparison to department stores or even ordinary retail stores offer.
2. These shops do not normally offer home delivery service or credit sales and thus lose a good number of customers..
3. Each unit is controlled by the head office and thus branch managers cannot adjust their sales policy to local conditions and emerging opportunities.
4. Limitations of bureaucratic organisation usually creep in so that the shop personnel tend to lose initiative.

c) Supermarkets

Supermarkets are large, self-service stores with central checkout facilities. They carry a wide range of food items and often non-food products. Supermarkets' entire approach to the distribution of food and household cleaning and maintenance products is to offer large assortments of these goods at each store at a minimal price. For example, Reliance Fresh Stores, Spencer's fall under this category.

Advantages;

1. The product assortment is large. A customer can get most of their daily need products at one place.
2. The products are relatively economical.

Disadvantages;

1. Since these are self- service stores, all types of customers may not feel comfortable in shopping.
2. Invidualised attention cannot be given to customers.

d) Discount Retailers

Discount retailers, like Wal-Mart are characterized by their emphasis on price as their main sales appeal. The assortments in merchandise have a wide range, but most popular items in terms of size, colour and packaging are stored on a priority basis. The stores are large, have adequate

space for browsing, are open for longer hours, have self-service and facilities like free parking, etc. Online retailers such as ebay.com, Flipkart have aggregated products and offered them at deep discounts.

Advantages;

1. As the name suggests, the major advantage is in terms of much reduced retail prices.
2. All popular items are available, with adequate space for browsing.

Disadvantage;

1. Only popular items are stocked. Products which are less in demand might not be available.

e) Warehouse Retailers

Warehouse retailers provide a bare-bones shopping experience at very low prices. Warehouse retailers streamline all operational aspects of their business and pass on the efficiency savings to customers. For example, Costco generally uses a cost-plus pricing structure and provides goods in wholesale quantities. In India we do not have this format of retailers, although Best Buy can be a close substitute.

Advantages;

1. Products are available in bulk and bulk purchases are encouraged.
2. Cost effective.

Disadvantage;

1. These stores are not commonly available as they require huge spaces.
2. They are generally on the outskirts of towns and cities, so people have to travel long distances.

f) Franchises:

The franchise approach brings together national chains and local ownership. An owner purchases a franchise which gives him the right to use the firm's business model and brand for a set period of time. Often, the franchise agreement includes well-defined code of conduct for the owner,

training to the staff, and on-going support by the company to the franchiser. The owner, or franchisee, builds and manages the local business. For example McDonald's, KFC etc.

Advantages;

1. It helps in wider availability of stores.
2. Since a code of conduct has to be followed, these stores provide standardized and good services.

Disadvantage;

1. They operate for a set period and in case of disputes with the owner, the shops may have to close operations.

g) Malls and Shopping centre:

Malls and shopping center are successful because they provide customers with a wide assortment of products across many stores. If you want to buy a suit or a dress, a mall provides many alternatives in one location. In big malls in Northern India, like Great India Place, or Select City Walk, etc you will find many department stores like Spencer's, Big Bazaar, etc. ***Strip malls*** are a common string of stores along major traffic routes like national highways, while isolated locations are freestanding sites not necessarily in heavy traffic areas. Stores in remote locations must use promotion or some other facet of their marketing mix to appeal shoppers.

Advantages;

1. The customers can avail greater variety.
2. People can shop even while travelling as some malls are located on highways, major traffic routes and outskirts of the main city.

Disadvantages;

1. It cannot be accessed by all the customers. Some less educated customers might not feel comfortable in shopping in these high profile areas.

h) Online Retailing:

Online retailing is indisputably a dominant force in the retail industry. Companies like Amazon, Myntra, etc., complete all or most of their sales online. Many established retailers have also started their online portal to sell their products. For example Pantaloons have their own retail outlets in major cities. They have an online platform pantaloons.com, to reach out to those customers who do not have access to their retail outlets.

Advantage;

1. The growth in online retailing has been primarily that it provides convenience of shopping from home/office etc.
2. There is wider reach, as customers in distant places can also access the site for shopping/ browsing.

Disadvantage;

1. It requires an active internet connection.
2. Computer literacy and a certain level of education is a required for shopping online.

i) Non-store Retailing:

Beyond those mentioned in the categories above, there's a wide range of traditional and innovative retailing approaches. Vending machines and point-of-sale kiosks have long been a popular retail device. Today they are becoming more targeted, such as companies selling easily forgotten items such as small electronics devices and makeup items to travelers in airports.

Each of these retailing approaches can be customized to meet the needs of the target buyer or combined to span a range of needs.

Advantage;

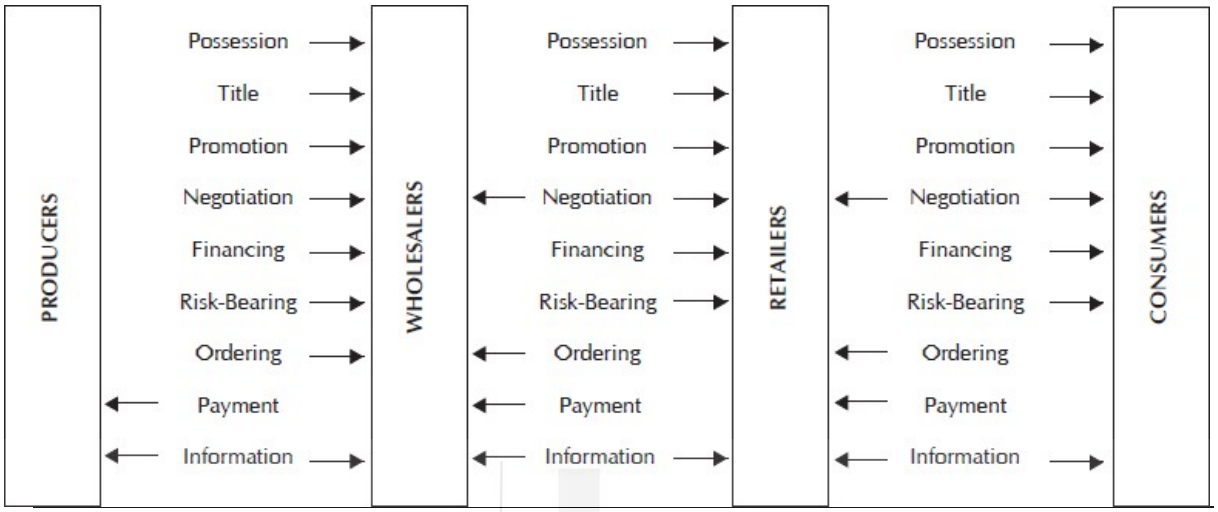
1. These stores are conveniently located.
2. It is good for travelers, in case they have forgotten to pack any gadget or want to purchase gifts.

Disadvantage;

1. These are mainly for urban customers.

To sum up, wholesalers and retailers provide a variety of functions. There are different types of retailers and wholesalers. Almost all of them provide the functions summarized through a flow chart in the following figure;

Fig 12.4 Marketing Flows in a distribution



12.7 FACTORS DETERMINING CHOICE OF CHANNELS OF DISTRIBUTION

The choice of channel decision is important for two reasons. The costs involved in the use of a channel enter the price that the consumer has to pay. The channel decision also has a bearing on other marketing decisions like price of the product and its availability, product line etc. Through proper market feedback, an appropriate selection of channels can reduce fluctuations in production. A rational decision regarding choice of channels of distribution should ensure (a) maximum geographical coverage of the market, (b) maximum promotional efforts and (c) minimum cost. Thus, choice of distribution channel depends on a variety of factors these can be product related, company related, market related or competitor related factors. Each of the factors has been explained in the following sub sections.

12.7.1 Product Related Factors ensure:

a) *Nature of Product* – In case of industrial goods like heavy machinery, radiator, power generator etc. short channels like zero level channel or first level channel should be preferred because they are usually technical, expensive, made to order and purchased by few buyers. Consumer goods like televisions (LEDs), refrigerator can be distributed through long channels as they are less expensive, not technical and frequently purchased.

b) *Perishable and Non-Perishable Products* – Perishable products like fruits or vegetables are circulated through short channels while non-perishable products like soaps, oils, sugar, salt etc. require longer channels.

c) *Value of Product* – In case of products having low unit value such as groceries, long channels are preferred while those with high unit value such as diamond jewellery short channels are used.

d) *Product Complexity* – Short channels are preferred for technically complex goods like industrial or engineering products like machinery, generators like torches while non-complex or simple ones can be distributed through long channels.

12.7.2 Company Characteristics:

a) *Financial Strength* – The companies having huge funds at their disposal go for direct distribution. Those without such funds go for indirect channels.

b) *Control* – Short channels are used if management wants greater control on the channel members otherwise a company can opt for longer channels.

12.7.3 Competitive Factors

Policies and channels selected by the competitors also affect the choice of channels. An enterprise has to decide whether to adopt the same channel as that of its competitor or select a different one. For example, if Nokia has selected a particular channel say Big Bazaars for sale of their hand sets, other firms like Samsung and LG have also selected comparable channels.

12.7.4 Market Factors

a) *Size of Market* – If the number of customers is small like in case of industrial goods, short channels are preferred while if the number of customers is high as in case of convenience goods, long channels are used.

b) *Geographical Concentration* – Generally, long channels are used if the consumers are widely spread while if they are located in a small place, short channels can be used.

c) *Quantity Purchased* – Long channels are used in case the size of order is small while in case of large orders, direct channel may be used.

Fig 12.5 Channel options in consumer goods market

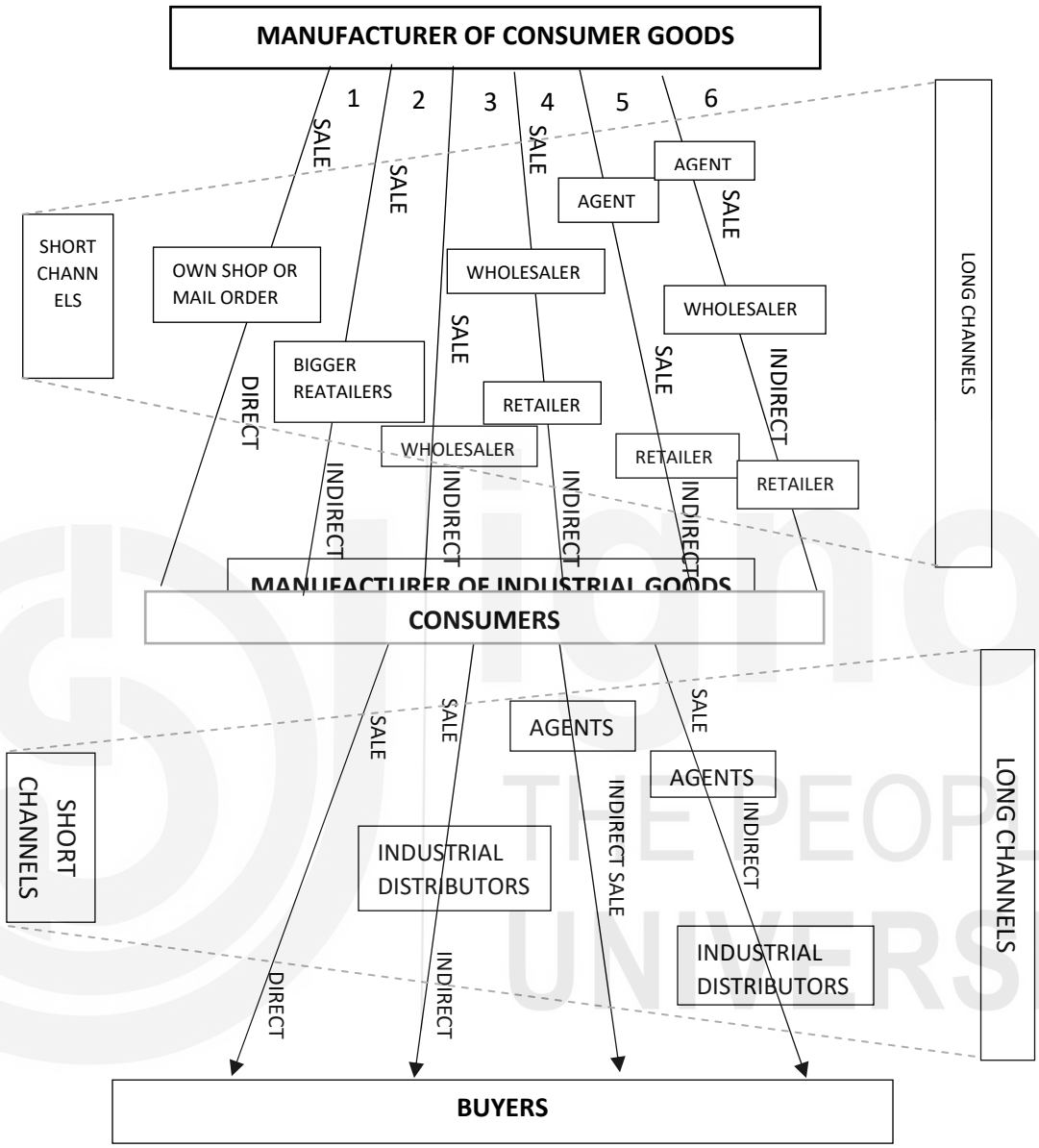


Fig 12.6 Channel options in industrial goods market

12.8 DISTRIBUTION STRATEGIES

In the above sections, we have seen the different types of intermediaries and their functions, as well as the factors that affect the choice of intermediaries. A business entity chooses whether to be present at all the possible places where a customer can potentially buy a product or to make its

products available at selected places only. Depending upon the need the overall marketing strategy, the distribution strategy is developed. The different strategies are as follows;

a) Intensive or Mass Distribution Strategies

As the name suggests that mass means distribute in large volumes and in bulk. Bulk in this context refers to wholesale and when the firm decides to sell its products in a huge quantity. Also, mass distribution means the company does not provide specific retailers or shops where they sell the product. For example, different snacks and drinks outlets. You can see in different locations and across locations.

b) Selective Strategies

In this case, companies decided to sell their products in very limited stores. When special services are needed, *e.g.,* certain cosmetics to be sold only through chemists, we have selective distribution. The number of outlets at each level of distribution is limited in a given geographic area. If the product has long useful life and consumer brand preference can be established, selective distribution will be more profitable.

c) Exclusive Strategies

If the buyers are demanding and expect considerable product service, the company opts for exclusive distribution. Exclusive distribution creates a sole agency or sole distributorship in a given market. Such a system is very useful for consumer speciality goods and industrial products. For example, Rolls Royce has very few showrooms all over India. To maintain the exclusivity, the following four legal aspects have to be kept in mind;

i. Exclusive dealing contracts
ii. Tying Contracts
iii. Closed sales territory
iv. Franchise selling

Activity 2

a) List down all the places/outlets where you can purchase the following items;

1. Pond's cold cream/lotion
2. Centre Fruit chewing gum

3. Amul Butter (100gm)
4. Apple MacBook
5. Redmi mobile phones
6. Mercedez-Benz Cars

c) What are the reasons for some of the above products are available in some places and not in other places? Explain

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12.9 CHANNEL SYSTEMS

The channel systems are generally built around local situational opportunities, and requirements. The channel system is a connecting link between the manufacturer, and the ultimate customer of the products or services offered by the company. Therefore, the company has to very carefully consider its product mix, and marketing mix, as well as the expectations from the channel partners. The company also considers the kind of involvement it wants in the distribution process, how much control it wants to exercise on its channel members, as well as the cost incurred in the designing of the channel. Keeping in mind all the factors, there are three kinds of options available for the firm to decide upon. These are as follows;

a) Vertical Marketing System:

A distribution channel structure in which producers, wholesalers and retailers act as a unified system. They formally agree to cooperate with each other. The responsibility of functioning of each channel member in owned by one member. This arrangement is done through

contractual agreement. One channel member owns the other, has contracts with them so that they all co-operate. The member who has authority over all the others members can be the manufacturer, wholesaler or the retailer. They work in cohesion, and there will be no conflicts whatsoever between channel members. This type of channel came into existence to avoid disagreements and conflicts among channel member. As independent members try to force their influence to meet their objectives, there is always a possibility of conflict and powerful channel member influencing the other. Once the channel operates as a one system and is managed by one member, there is much clarity and coordination among channel members to achieve the channel objectives. For example, Ikea, Starbucks, etc. The economies are achieved through size, bargaining power and elimination of duplicated services. To sum up a vertical marketing system is the type of cooperation between the members of a distribution channel. It includes a producer, wholesaler, and retailer collaborating to deliver customers the necessary product and aims at achieving better efficiency and economies of scale.

b) Horizontal Marketing System:

A channel arrangement in which two or more companies at one level join together to follow a new marketing opportunity where they can combine their resources and use, them optimally. These companies are generally unrelated. This technique is adopted by companies which want to minimize the risk of capital losses, or want to utilize idle manpower, or when they lack technical knowhow, or lack adequate marketing expertise. For example, Johnson and Johnson have joined hands with google, with an objective of having a robotic-assisted surgical platform. Horizontal arrangements can be between two manufacturers, two, wholesalers, or even two retailers.

c) Hybrid Marketing Systems:

Multi-channel distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments. As the name suggests the company can have a mix of vertical marketing system and horizontal marketing system, depending upon the area or the customer base it wants to reach.

12.10 CHANNEL CONFLICT

Even when a company has set up an effective distribution system, some friction may arise between the channel members or between the company and channel members. This happens generally due to conflicting business interest. There are generally three types of channel conflict;

a) ***Vertical Channel conflict***: It is the conflict between different levels in the same channel. For example, conflict between distributor and retailer.

b) ***Horizontal channel conflict***: It occurs between members at the same level of the distribution channel. For example, two retailers may have a conflict if they target the same customers by giving price cuts.

c) ***Multi-channel conflict***: When the company selects, two or more channels to sell its product in the same market. A company may sell its product to wholesalers and some important retailers simultaneously in one market. Here the wholesaler may feel that the company is not giving him sufficient attention and is bypassing him.

12.10.1 Causes of Marketing Channel Conflict:

i. ***Role Ambiguity***: The uncertain act of an intermediary in a multi-channel arrangement may lead to disturbance in the channel of distribution and cause conflict among the intermediaries.

ii. ***Incompatible Goals****:* When the manufacturer and the intermediaries do not share the same objectives, both work in different directions to meet their ends, then, these results in channel conflict.

iii. ***Marketing or Strategic Mis-Alignment***: Sometimes, two-channel partners promote the manufacturer's product in a different manner, which created two different images of the same product in the consumers' mindset, which creates conflicting brand perception.

iv. ***Difference in Market Perception***: The manufacturer understands of the potential market and penetration into a specific region or territory may vary from the perception of the intermediaries, which can create conflict and reduce the intermediary's interest in capturing that particular market.

v. ***Change Resistant***: When the channel leader plans to modify the distribution channel, the intermediaries may or may not accept this change. Thus, it may result in a condition of discord or non-cooperation.

vi. ***Improper Geographic or Demographic Distribution***: If the sales territory has a narrow consumer base, and the channel leader allows many selling partners, they tend to lose interest.

12.10.2 Managing channel conflict:

The conflict between channel members can be resolved in the following ways;

a) ***Mediation, Arbitration and Diplomacy:*** To resolve a dispute, the manufacturer can adopt a strategy of intervention where a third person intervenes to create harmony. The other option is arbitration, where an arbitrator listens to the argument of the parties involved in a conflict and declares a decision. Alternatively, the parties can resort to diplomacy where the representatives of both the parties discuss and find an amicable solution.

b) ***Co-optation:*** The manufacturer should hire an expert who has already gained experience in managing the channel conflicts in other organizations, as a member of the grievance redressal committee or board of directors, for addressing such conflicts.

c) ***Dealer Councils and Trade Associations:*** To handle the horizontal or vertical conflicts, the manufacturer forms a dealer council where the dealers can unanimously put up their problems and grievances in front of the channel leader. To bring in unity among the channel partners or intermediaries, they can be added as members in trade association which safeguards their interests.

d) ***Superior Goals:*** Establishing a supreme goal of the organization and aligning it with the individual goals or objectives of the channel partners may reduce the channel conflicts.

e) ***Regular Communication:*** The channel leader should take regular feedback from the channel partners through formal and informal meetings to know about market trends and dynamics. In addition, the channel partner's issues and conflicts can be addressed through frequent interactions.

f) ***Legal Procedure*****:** When the conflict is critical and uncontrollable by the channel leader, the aggrieved party can seek legal action, by filing a lawsuit against the accused party.

g) ***Fair Pricing:*** Most of the channel conflicts are a result of the price war, and therefore, these can be resolved by ensuring that products have the same price in all the territories and a fair margin is given to the channel partners.

12.11 DISTRIBUTION MANAGEMENT CHALLENGES

Distribution challenges can arise from a variety of disruptions.

i. Natural disruptions include severe weather events, raw material shortages (e.g., bad crop years), pest damages, and epidemics or pandemics. Human disruptions include riots, protests, wars and strikes.

ii. Transportation disruptions include transport vehicle disrepair, maintenance downtimes and accidents, as well as delayed flights and restrictive or new transportation regulations such as those regularly seen in trucking.

iii. Economic challenges include recessions, depressions, sudden drops or increases in consumer or market demands, new or changes in fees or compliance costs, changes in currency exchange values and payment issues.

iv. Product disruptions include product recalls, packaging issues and quality control issues. Buyer disruptions include order changes, shipment address changes and product returns.

12.12 ELEMENTS OF DISTRIBUTION MANAGEMENT

These include the integral components in the distribution system. As the distribution has evolved over a period of time, new elements have also come into the system. The intervention of technology has been a great facilitator as well as disrupter in the existing flow of distribution systems. The various components and elements have been classified as traditional and emerging elements in the following sub sections;

12.12.1 Traditional Elements:

i. ***Supply Chain-*** A supply chain is defined as the entire process of making and selling commercial goods, including every stage from the supply of materials and the manufacture of the goods through to their distribution and final sale. This term was coined by Keith Oliver in 1982. APICS, the global association for supply chain management professionals, defines supply chain management as: "the design, planning, execution, control, and monitoring of supply chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand, and measuring performance globally."

ii. ***Logistics-*** It is the business of transporting, supplying and delivering goods. Michigan State University's professors (2020) define logistics as activities which include transportation, warehousing, packaging and more – that move and position inventory and acknowledge its role in terms of synchronizing the supply chain.

iii. ***Purchase order and invoicing system*** -The creation of a purchase order is the first step in a business transaction, it is issued by the buyer and authorizes a seller to provide a product or service at a specified price. The invoice is a bill issued by the seller when that product has been delivered or the service has been completed.

12.12.2 Emerging elements:

i. **Block Chain-** Block chain can enable more transparent and accurate end-to-end tracking in the supply chain: Organizations can digitize physical assets and create a decentralized immutable record of all transactions, making it possible to track assets from production to delivery or use by end user.

ii. **VRM-** Vendor relationship management (VRM) is a category of business activity made possible by software tools that aim to provide customers with both independence from vendors and better means for engaging with vendors. These same tools can also apply to individuals' relations with other institutions and organizations.

iii. **CRM-** CRM stands for Customer Relationship Management. It's a technology tool used to manage interactions with customers and potential customers. A CRM system helps organisations build customer relationships and streamline processes so they can increase sales, improve customer service, and increase profitability.

iv. **IMS-** An inventory management system (or inventory system) is the process by which you track your goods throughout your entire supply chain, from purchasing to production to end sales. It governs how you approach inventory management for your business.

v. **WMS**- A warehouse management system (WMS) is a software solution that offers visibility into a business' entire inventory and manages supply chain fulfilment operations from the distribution centre to the store shelf.

vi. **TMS-** A transportation management system (TMS) is a logistics platform that uses technology to help businesses plan, execute, and optimize the physical movement of goods, both incoming and outgoing, and making sure the shipment is compliant, proper documentation is available.

12.13 SUMMARY

Distribution is an important component of the marketing mix. For an effective implementation of the marketing activities, distribution plays an important role. The channel intermediaries, namely the wholesalers, retailers, jobbers, C &F agents etc, facilitate the smooth movement of goods and services from the manufacturers to the ultimate consumers.

As the marketing landscape has changed over the years, the roles and responsibilities of intermediaries has also changed. Some traditional channels have graduated to modern retail concepts like hypermarkets, chain stores etc. Internet technology has been a great disrupter as well as enabler in better distribution.

Supply Chain management has evolved as a fully fledged discipline so also Customer Relationship Management, Transport Management are the evolving disciplines in these changing times.

12.14 SELF-ASSESSMENT TEST

1. How does distribution add value to the marketing efforts? Take the case of any FMCG company and explain the distribution network in urban as well as rural areas.

2. Describe the importance of wholesalers in the distribution process. Explain with the help of suitable examples from the textile industry.

3. "The retailing landscape has changed drastically with the advent of digital age". Elucidate citing relevant examples.

4. What are the challenges and opportunities faced by distributors in developing countries? How is the distribution system in India different from any developed nation like the USA?

5. Describe the concept of channel systems. Different channel systems can exist within the same company leading to Channel conflict. Explain the causes of channel conflict and suggest ways of resolution of such conflicts with suitable examples.

6. What kind of distribution channel (direct or indirect) would you recommend for each of these products and why?

   a) Health Drink
   b) A new, exclusive, premium priced range of sanitary fittings (such as wash basins, bath tubs, etc.).
   c) Textile machinery
   d) Branded spices
   e) Industrial lubricant.

7. A new toy manufacturing company is planning to launch its toys in the market and wishes to appoint retail outlets in all the major towns. What should be the criteria for selecting appropriate outlets? Specify the distinct attributes or features that the company should look for in the retail outlets.

12.15 FURTHER READINGS

1. Richard R Still, Edward W Cundiff, Norman A P Govoni, Sales and Distribution Management, 6 th edition, Pearson, 2017.

2. Krishna K Havaldar and Vasant M Cavale, Sales and Distribution Management, Tata McGraw Hill, 2nd Edition, 2011.

3. Ramendra Singh: sales and distribution management: a practice-based approach, Vikas Publication, 2016.

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Indira Gandhi
National Open University
School of Management Studies

MMPC-006
Marketing Management

Block

4

SECTORAL APPLICATIONS AND EMERGING ISSUES

UNIT 13
Marketing of Services **4**

UNIT 14
Digital Marketing **36**

UNIT 15
Other Emerging Issues in Marketing **111**

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Block 4 SECTORAL APPLICATIONS AND EMERGING ISSUES

This is the last block of the course focusing on some of the key sectors of marketing as well as the other emerging issues associated that has made a dent in the recent past. The advent of ICT i.e. Information and Communication Technologies and other related mobile technologies has paved way to both for the marketers and consumers to adopt for a seamless transactions.

This block has three Units. The first Unit will take you through the most important and growing service sector which is also the major contributor to the Indian economy. The focus would be on the intrinsic characteristics of various services and how they influence the marketing of services.

The second Unit introduces you to a completely new and latest way to market a product or service using technology for speed and safety in all business transactions. This development of digital technology, its implementation and its use by customers and businesses in the area of marketing is called as Digital Marketing.

The concluding Unit of this block covers the role and scope of changing landscape of services marketing, digital marketing, rural marketing, green marketing, relationship marketing and other allied new ways and means of technology enabled marketing methods.

Note:

Dear Student, You will find that Unit 13 and Unit 14 are briefly touched upon once again in Unit 15. The rationale is to be in line with the title of the block and hence they are being discussed from a different perspective.

UNIT 13 MARKETING OF SERVICES

Objectives

The learning objectives of this unit are:

- to understand the basis for making a distinction between products and services
- to understand the concept of service in terms of its special characteristics
- to understand the implications of these characteristics in designing a marketing strategy
- to identify the various elements of a marketing strategy required to successfully market a service
- to develop familiarity with each element of the marketing strategy as it is applicable in the case of services

Structure

13.1 Introduction

13.2 The Concept of Service

13.3 Reasons for Growth of the Service Sector

13.4 Characteristics of Services

13.5 Elements of Marketing Mix in Service Marketing

13.6 Product

13.7 Pricing

13.8 Promotion

13.9 Distribution

13.10 People

13.11 Physical Evidence

13.12 Process

13.13 Summary

13.14 Key Words

13.15 Self – Assessment Test

13.16 Further Readings

13.1 INTRODUCTION

Economists have divided all industrial and economic activities into three main groups: primary, secondary and tertiary. Primary activities include agriculture, fishing and forestry. Secondary activities cover manufacturing and construction, and tertiary activities refer to the services and distribution. In the pre-industrialised era, primary activities were the mainstay of the economy. The Industrial Revolution marked the beginning of increasing importance of secondary activities and the gradually decreasing status of agriculture and allied activities. The period following World War II saw USA become the world's first `service economy' with more than fifty per cent of the working population employed in producing services.

Around 75 million Americans are employed in the service sector and as much as seventy nine per cent of the US economy is service-oriented. This led a New York Congressman to remark that America is becoming a nation of people who are "serving each other hamburgers or taking in each other's laundry". However, the US service industry is a very technical and sophisticated one comprising computer and software development, business consultancy, telecommunication, banking and insurance.

This pattern of economic development is not universally applicable to all countries. In many African and Asian countries the agriculture sector is still the dominant one. In countries like, India, we can observe the growing importance of the manufacturing and service sectors while agriculture still continues to retain its stronghold on the economy. The manufacturing and service sectors are growing not only in volume but also in Sophistication and complexity. The wide array of services found in the metropolitan cities of Mumbai, Bangalore, Delhi, Calcutta, and' Chennai compare favourably with those found anywhere in the world.

Daniel Bell, in his book `The Coming of the Post-Industrial Society' called this period of dominance by the service sector as the post-industrial society. According to him: "If an industrial society is defined by the quantity of goods as marking a standard of living, the post-industrial society is defined by the quality of life as measured by the services and, amenities-health, education, recreation, and the arts- which are now deemed desirable and possible for everyone".

13.2 THE CONCEPT OF SERVICE

The term *service* is rather general in concept, and it includes a wide variety of services. There are the business and professional services such as advertising, marketing research, banking, insurance, and computer-programming, legal and medical advice. Then there are services which are provided by professionals but consumed for reasons not of business, rather for leisure, recreation, entertainment and fulfillment of other psychological and emotional needs such as education, fine arts, etc.

Table – 1

List of Selected Services

Utilities	Insurance, Banking, Finance
Electricity	Banks
Water Supply	Share & Stock Brokers
Law Enforclog, Civil, Administrative and Defense Services	Business, Professional & Scientific Activities
Police	Advertising
Army	Marketing Research
Air Force	Consulting
Navy	Accountancy
Judiciary	Legal
Civil Administration	Medical
Municipal Services	Educational Research
(Sewage, disposal of corrses, maintenance of roads, parks & public buildings)	Maintenance & repairs (of plants, machinery & equipment) Leasing Computer Programming Employment Agencies
Transport & Communication	Leisure, Recreation
Railways (Passenger & Freight) Air Transport (Passenger & Freight) Post & Telegraph Telephone & Telecommunication Broadcasting (All India	Cinema Theatre Clubs, Gynosisimps Restaurants, Hotels Video Game Parlours

Radio)	Casinos
Telecasting (Doordarshan)	Self-improvement Courses
Distributive Trades	Miscellaneous
Wholesale Distribution Retail Distribution Dealers, Agents	Beauty Parlours Health Clubs Domestic Help Dry-cleaning Matrimonial Services

Source: *Adapted from Donald Cowell, The Marketing of Services Heincurip, London.*

Faced with such a broad spectrum we need to define the concept' of service from a marketing view-point. Kotler offers one such definition: *"A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".*

W.J. Stanton views services as fulfilling certain wants and states that, *"services are those separately identifiable, essentially intangible activities which provide want- satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) to these tangible goods".*

As in the case of a product, in the case of services also your starting point for understanding the marketing dynamics is the want satisfaction of the customers. It is important to correctly identify the particular want(s) which your service is fulfilling, since this will provide the clue for designing the most appropriate marketing strategy.

A restaurant provides satisfaction to its customers on the basis of type and quality of its food, its decor and environment and the behaviour of its staff and its location in a busy commercial-cum-office complex. For instance, `Havmor' was started as a restaurant serving exclusive Western and Chinese cuisine with expensive decor, a live band, beautifully liveried waiters and a high-price menu. The venture was a flop right from the start. On the advice of its marketing consultant, the restaurant changed over from serving elaborate, expensive meals to a `fast-food' character providing quick, reasonably priced meals for consumption both within and outside the restaurant. Today this restaurant is a big success. It was the correct identification of the want-satisfaction

which helped the restaurant become successful. Located in a predominantly office area, the restaurant's major clientele was office going people.

During office lunch-break, people do not visit a restaurant for relaxation or status satisfaction. They have limited time at their disposal and want a quick clean meal at a reasonable price, with minimum frill and fancy. In this case, the restaurant was satisfying the basic hunger need, but was catering to a very specific class of customers (office-goers) with a special kind of constraint (that of time and money).

To be successful, you have to firstly, identify the basic need which is being fulfilled by your service, and secondly, find ways and means to differentiate it from that of the competitors so that you can increase your number of customers and also command their loyalty. In our earlier example of the restaurant it was only after the basic need had been correctly identified that the restaurant could adopt an appropriate marketing strategy and turns the corner. Thus, as a marketing manager involved in the marketing of services your first concern should be the identification of the customers' needs. A clue to this can be provided by looking into the reasons for the phenomenal growth of the service sector in recent times.

13.3 REASONS FOR GROWTH OF THE SERVICE SECTOR

Manufacturing industries grew because they produced tangible goods which satisfied man's physiological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a proliferation of variations of the same product and a number of companies involved in its manufacture. The growth of service industries can be traced to the economic development of society and the socio-cultural changes that have accompanied it. Table 2 presents the reasons for growth of service industries.

Sometimes, the growth of specific service industry is the result of a combination of several reasons. Increasing affluence coupled with the desire to utilise leisure time for leisure rather than for doing odd repair jobs in the house had led to the growing tribe of plumbers and electricians. Increasing affluence combined with increasing complexity of life and increasing insecurity has led to the phenomenon of credit cards and travelers cheques which have proved to be almost perfect substitutes for money. These credit cards provide convenience and safety. In fact, convenience is proving to be a key concept in the provision of services.

Table 2

Reasons for Growth in Service Industries

Reasons	Types of services required
1. Increasing affluences	Greater demand for services (activities which consumers used in perform themselves) such as interior decoration, laundry, care of household products such as carpets, care of garden et.
2. More leisure times	Greater demand for recreation and facilities, travel resorts, adult education and self – improvement courses.
3. Higher percentage of women in the labour force	Greater demand for crèches, baby sitting household domestic help.
4. Greater life expectancy	Greater demand for nursing homes and health care services.
5. Greater complexity of products	Greater demand for skilled specialists to provide maintenance for complex products such as air-conditioners, cars, home computer.
6. Increasing complexity of life	Greater demand for specialists in income-tax, labour laws, legal affairs, marriage counseling, employment services.
7. Greater concern about ecology and resource scarcity	Greater demand for purchased or leased services, or rental, travel, resort to time sharing rather than ownership basis.
8. Increasing number of new products	The computer-sparked development of such service industries as programming, repair and time sharing.

Source: *Schoell, K.F. and J.T. Ley, 1981 "Marketing: Contemporary Concepts and Practices, "Allyn and Bason, Boston.*

Activity 1

If your firm is engaged in marketing services

a) identify the need or want satisfaction provided by the service,
b) describe the nature of service which your firm is providing,
c) describe how your firm is differentiating its service as compared to that provided by the competing firms.

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Activity 2

What are the services which your firm uses on a regular basis in the areas of marketing, finance and government dealing? Against each service, describe the nature of organisation providing the service (viz. individual, firm, government agency etc.)

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13.4 CHARACTERISTICS OF SERVICES

Services have a number of unique characteristics that make them so different from products. Some of the most commonly accepted characteristics are:

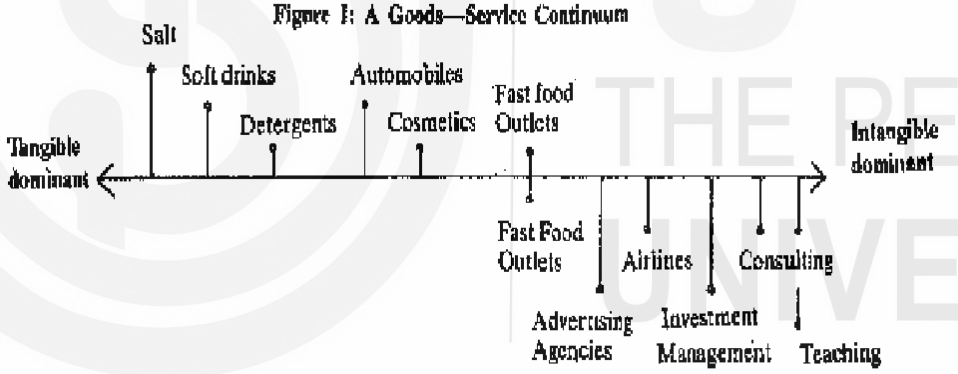
a) intangibility
b) inseparability
c) heterogeneity
d) perishability
e) ownership

Intangibility:

When you buy a cake of soap, you can see, feel, touch, smell and use to check its effectiveness in cleaning. But when you pay fees for a term in college, you are paying for the benefit of deriving knowledge and education which is delivered to you by teachers. In contrast to the soap where you can immediately check its benefits, there is no way you, can do so in case of the teachers who are providing you the benefits.

Teaching is an intangible service. When you travel by aeroplane, the benefit which you are deriving is a service (transportation) but it has some tangible aspects such as the particular plane in which you fly (Boeing, Avro, Concorde, and the food and drink which is served). In this case the service has both a tangible and intangible aspect as compared to teaching which has no tangible aspect at all. Figure 1 presents the tangible-intangible dominant aspect on a goods-service continuum. This continuum highlights the fact that most services are in reality a combination of product and service having both tangible and intangible aspects. There are only a few truly pure tangible products or pure intangible services.

Figure 1: A Goods—Service Continuum



Source: Shostack, G.L., 1977 "Breaking Free from Product Marketing" Journal of Marketing, Vol. 41, No. 2 American Marketing Association.

The distinguishing feature of a service is that its intangible aspect is dominant. J. Bateson has described the intangible characteristics of services which make them distinct from products. These intangible features are:

- a service cannot be touched
- precise standardization is not possible
- there is no ownership transfer
- a service cannot be patented

- production and consumption are inseparable
- there are no inventories of the service
- middlemen roles are different
- the consumer is part of the production process so the delivery system must go to the market or the customer must come to the delivery system.

Activity 3

Identify and describe the tangible and intangible aspects of the service provided by the following:

i) hospital
ii) petrol – station
iii) property dealer
iv) beauty parlour
v) dry cleaner

Are any of these a pure tangible product or pure intangible service?

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Inseparability:

In most cases service cannot be separated from the person or firm providing it. Service is provided by a person who possesses a particular skill (singer), by using equipment to handle a tangible product (dry cleaning) or by allowing access to or use of physical infrastructure (hotel, train). A plumber has to be physically present to provide the service; the beautician has to be available to perform the massage. This is in direct contrast to products which can be produced in the factory today, stocked for the next two, three or more months and sold when an order is procured.

Heterogeneity:

The human element is very much involved in providing and rendering services and this makes standardisation a very difficult task to achieve. The doctor who gave you his complete attention in your last visit may behave a little differently the next time. The new bank clerk who cashes your cheques may not be as efficient as the previous one and you have to spend more time for the same activity. This is despite the fact that rules and procedures have been laid down to reduce the role of the human element and ensure maximum efficiency. Airlines, restaurants, banks, hotels have a large number of standardised procedures. You have to reserve a room in a hotel and this is a straight forward procedure for which all the steps are clearly defined. Human contact is minimal in the computerised reservation systems, but when you go to the hotel there will be a person at the reception to hand over the key of your room. The way this person interacts with you will be an important factor in your overall assessment of the service provided by the hotel. The rooms, the food, the facilities may be all perfect, but it is the people interacting with you who make all the difference between a favourable and unfavourable perception of the hotel.

Perishability:

Services cannot be stored and are perishable. A car mechanic who has no cars to repair today, or spare berths on a train, unsold seats in a cinema hall represent service capacity which is lost forever. Apart from the fact that a service not fully utilised represents a total loss, the other dimension of this perishability aspect is that most services may face a fluctuating demand. There is a peak demand time for buses in morning and evening (office hours), certain train routes are always more heavily booked than others. This fluctuating demand pattern aggravates the perishability characteristic of services.

Ownership:

When you buy a product you become its owner-be it a pencil, book, shirt, refrigerator or car. In the case of service, you may pay for its use but you never own it. By buying a ticket you can see the evening film show in the local cinema theatre; by paying wages you can hire the services of a chauffer who will drive your car; by paying the required charges you can have a marketing research firm survey into the reasons for your products' poor sales performance, etc. In case of service, the payment is not for purchase, but only for the use or access to or for hire of items or facilities.

A service is purchased for the benefits it provides. If we closely examine the reasons why products are purchased, we find that they are bought not because of their physical, tangible features but because they provide certain intangible benefits and satisfactions.

Detergent powder provides the primary benefit of cleanliness, air-conditioner provides the benefit of a cool, comfortable environment, a mixer-cum-grinder provides convenience. The only difference between products and services is that in the latter the intangible component is greater than in the former. Thus, services can be treated as a special kind of product.

From a marketing view-point the same concepts and techniques are applicable for both products and services. The successful marketing of both requires market research, product design, product planning and development, pricing, promotion and distribution. However, for marketing of services, the marketing manager must understand the nature of the five characteristics of services and the manner in which they impinge on the marketing strategy.

Table 3 describes the implications of characteristics of services and how the marketing strategy can be focused to overcome these constraints. Besides the constraints highlighted in Table 3, there are some other factors which have inhibited the active marketing of services. Professionals such as doctors and lawyers have traditionally been

Table 3

Implication of service characteristics and ways of overcoming thern

Service characteristics	Implications	Means of overcoming characteristics
1. Intangibility	Sampling difficult, Difficulty to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote.	Focus on benefits. Use brand names. Use personalities to personalize service. Develop reputation. Increase tangibility (e.g. its physical representation).
2. Inseparability	Requires presence of performer /producer. Direct	Loans to work in larger groups. Work faster. Train

	sale. Limited scale of operations. Geographically limited market.	more service performers.
3. Heterogeneity	Difficult to standardize quality.	Careful selection and training of personnel. Define behaviours norms. Reduce role of human element. Mechanise and automate maximum possible operation.
4. Perishability	Cannot be stored. Problem of demand fluctuation.	Better match between supply and demand by price reductions in low demand season.
5. Ownership	Customer has access to but not ownership of facility or activity.	Stress advantages of non-ownership such as easier payment scheme.

Source: *Cowell, Donald, "The Marketing of services". Heinemann, London.*

opposed to the idea of marketing, rather they have relied on the word of mouth of satisfied customers for increasing their clientele.

The small size of many service organisations such as beauty parlours, repair shops, barber shops etc. also limits the use of marketing techniques which can be successfully used in larger organisations and then there is the case of service organisation such as schools, hospitals, universities which enjoy more demand than they can cope with. These institutions have therefore never felt the need for actively marketing their services.

13.5 ELEMENTS OF MARKETING MIX IN SERVICE MARKETING

For marketing of products, the four elements of marketing mix are product, price, distribution and promotion, which are used in a specific combination to arrive at the marketing strategy. In the case of services, there are three additional elements. These elements are people, physical evidence and process. We shall now take up each of these elements for discussion.

13.6 PRODUCT

The most important issue in the service product understands what benefits and satisfaction the consumer is seeking from the service. From the view-point of a restaurant's manager, the restaurant simply provides food. But the customers coming to the restaurant may be seeking an `outing', an atmosphere different from home, relaxation, entertainment or even status. The marketing of services can be a success only if there is a match between the service product from the consumer's view-point and the supplier's view-point. To find this match, as a manager you would have to analyse your service at the following levels:

i) the customer benefit concept;
ii) the service concept;
iii) the service offer; and
iv) the service delivery system.

i) Customer Benefit Concept: The service product which you offer in the market place must have its origin in the benefits which the customers are seeking. But the problem is that customers themselves may not have a clear idea of what they are seeking or they may find it difficult to express or it may be a combination of several benefits and not a single one. Over a period of time, the benefits sought may also change. This change in customers may come about by a satisfactory or unhappy experience in utilising the service, through increased sophistication in service use and consumption, and changing expectations. All these make the issue of marketing a service product very complex.

ii) Service Concept: Using the customer benefits as the starting point, the service concept defines the specific benefits which the service offers. At the generic level the service concept refers to the basic service which is being offered. A centre for the performing arts may offer entertainment and recreation. But within this broad framework, there can be specific choice paths for satisfying the entertainment objective, such as, drama, musical concerts, mime, poetry recitation, dance etc. Defining the service concept helps answer the fundamental question, `What business are we in?'

iii) Service Offer: Having defined the business in which you are operating, the next step is to give a specific shape and form to the basic service concept. To refer to the example of

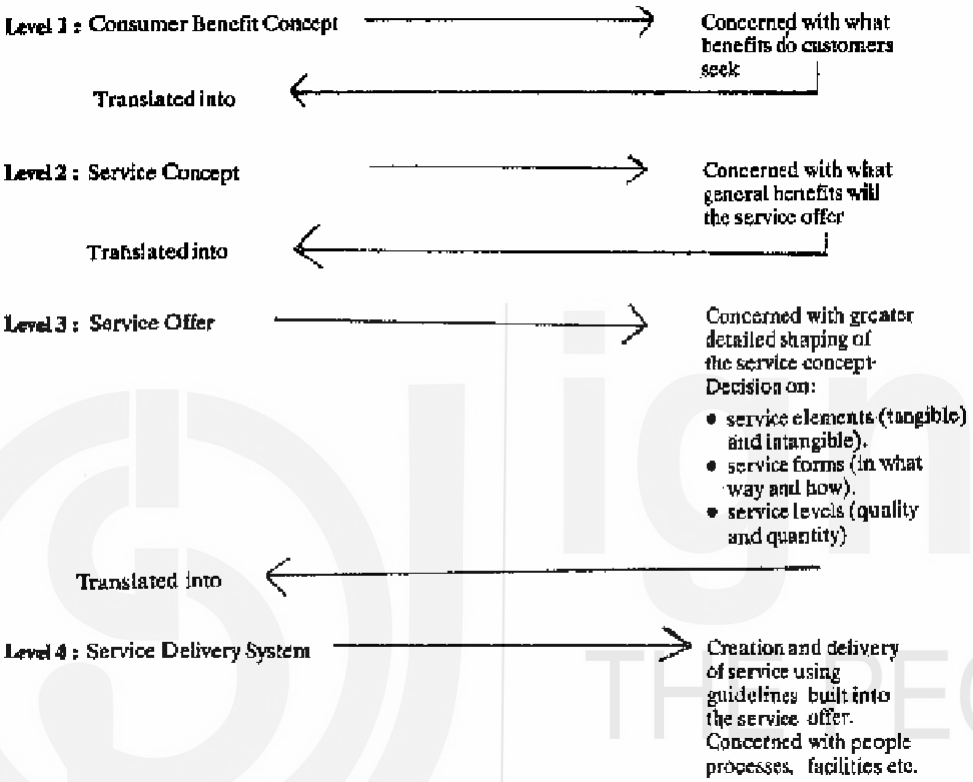
centre for the performing arts, the service concept is to provide entertainment. The service offer is concerned with the specific elements that will be used to provide entertainment: drama, music, mime, poetry recitation, dance. In the category of musical concerts the choice may be vocal or instrumental, within. vocal whether light or classical, Hindustani, Carnatic or Western. While these represent the intangible items of the service offer, the physical infrastructure of the centre, in terms of its setting capacity, comfortable seats, quality and acoustics, provision of air-conditioning, snack bar and toilets are the tangible items. The tangible aspects can be controlled by offering the best possible benefit, but the quality and performance of the actors, singers, musicians cannot be controlled. Theoretically, a manager must control both the tangible and intangible components. But in practice, he can control only the tangible components and lay down norms for the intangible components (e.g. maximum duration of recital, brief introduction before each dance item, etc.)

iv) **Service Forms**: In what form should the services be made available to the customers is another area of decision-making. Should all the shows of the centre be available in a package deal against a yearly membership fee or a seasonal ticket? Should there be daily tickets with the consumer having freedom to watch any one or more performances being staged on that particular day? Or should each performance have a separate entrance ticket, with a higher priced ticket for a well-known performer. Service form refers to the various options relating to each service element. The manner in which they are combined gives shape to the service form.

v) **Service Delivery System**: When you go to your bank to withdraw money from your account, you either use a cheque or a withdrawal slip in which you fill all the particulars and hand it over to the clerk, who, after verifying the details, gives you money. The cheque or withdrawal slip and the clerk constitute the delivery system. In a restaurant, the waiters are the elements of the delivery system. The two main elements in a delivery system are the people and the physical evidence. The competence and public relations ability of a lawyer represent the `people' component, while his office building, office door, letterhead, etc. are all elements of the `physical evidence'. The physical evidence components have also been called `facilitating goods' and `support goods'. These are the tangible elements of the service and they exert an important influence on the quality of

the service as perceived by the consumers. Figure II presents a graphical conceptualisation of the service product.

Figure II: Conceptualisation of the Service Product


Level 1 : Consumer Benefit Concept
Concerned with what benefits do customers seek
Translated into
Level 2 : Service Concept
Concerned with what general benefits will the service offer
Translated into
Level 3 : Service Offer
Concerned with greater detailed shaping of the service concept
Decision on:
• service elements (tangible) and intangible).
• service forms (in what way and how).
• service levels (quality and quantity)
Translated into
Level 4 : Service Delivery System
Creation and delivery of service using guidelines built into the service offer.
Concerned with people processes, facilities etc.

A

ce but a range of services. You would need to take decisions on the length and width of the range of services, the manner in which they complement and support each other, and how well they face up to the competitor's offerings. Figure III illustrates the concept of range of services, using the example of a club.

The service or services which you offer must be targeted at a specific market segment. The target market segment must have a definite need for the service. In the illustration of the club in Figure III the recreation facilities for children would succeed only if the parents of the children perceive a definite advantage in the trade- off of money versus time. The parents must perceive it worthwhile to spend money on the children to keep them busy rather than spending their own time.

Figure III: Example of Range of Service Customer Groups

Figure –III Example of Range of Service

Customer Groups

Children	Mixed Adults	Only Women or Men	Business groups
Swimming Lessons	Swimming	Beauty Parlour / Massage Facility	Conference Rooms
Badminton Lessons	Badminton, Tennis Lessons	Yoga/Judo Lessons	Secretarial assistance
Indoor games	Card Room	Thurampents	Video coverage
Library	Billiards	Kitty Parties	
Film Shows	Facilities for Parties & receptions		

Activity 4

Identify the controllable elements in the following service organisations:

- airlines
- a lawyers' firm
- a firm which undertakes contract for maintenance and repairs (AMC) of air-conditioners and refrigerators.

Attempt to evolve procedures and standards for these controllable elements with the objective of improving the overall performance of the service.

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13.7 PRICING

In the case of products, the term `price' is used for all kinds of goods, fruits, clothes, computers, building etc. but in the case of services, different terms are used for different services. Table 4 presents the term used for some selected services.

Table – 4

Price Terminology for Selected Services

Terminology	Services
Admission	Theatric entry
Commission	Brokerage Service
Fare	Transport
Fee	Legal Services
Interest	Use of money
Premium	Insurance
Rent	Property usage
Salary	Employee services
Tariff	Utilities
Tuition	Education

Source: *Donald Cowell, "The Marketing of Services" Heimnann, London.*

In determining the prices of services, the one characteristic which has great impact is their perishability and the fact that fluctuations in demand cannot be met through inventory. Hotels and airlines offering lower rates in off-season and lower telephone charges for outstation calls after office hours are examples of how pricing strategy can be used to offset the perishable characteristic of services.

Another characteristic of services that creates problem in price determination is the high content of the intangible component. The higher the intangibility the more difficult it is to calculate cost and greater the tendency towards non-uniform services, such as fees of doctors, management consultants, lawyers. In such cases, the price may sometimes be settled through negotiation between the buyer and seller.

On the other hand, in services such as dry cleaning the tangible component is higher, and the service provided is homogeneous. It is easier to calculate cost on a unit basis and have a uniform pricing policy. In general, the more unique a service the greater the freedom to fix the price at any level. Often the price may be fixed according to the customer's ability to pay. In such cases price may be used as an indicator of quality

The third characteristic to be kept in mind while determining prices is that in many services, the prices are subject to regulations, either by the government or by trade associations. Bank charges, electricity and water rates, fare for rail and air transport in India are controlled by the government. In many other cases, the trade or industry association may regulate prices in order to avoid undercutting and maintain quality standards. International air fares are regulated by international agreement of airlines, sea freight fares may be regulated by shipping conferences. In all such cases, the producer has no freedom to determine his own price.

The two methods which a service organisation may use to determine prices are cost- based pricing and market-oriented pricing. In the former, the price may be regulated by the government or industry association on the basis of the cost incurred by the most efficient unit. Such a pricing strategy is effective in restricting entry and aiming at minimum profit target. The market-oriented pricing may either be competition or customer-oriented. In case of competition-oriented pricing, the price may be fixed at the level which the competitor is charging, or fixed lower to increase market share. Customer-oriented pricing is varied according to customers' ability to pay.

The pricing tactics that may be used to sell services are:

i) differential or flexible pricing;
ii) discount pricing;
iii) diversionary pricing;
iv) guaranteed pricing;
v) high price maintenance pricing;
vi) loss leader pricing; and
vii) offset pricing

i) **Differential or flexible pricing** is used to reduce the `perishability' characteristic of services and iron out the fluctuations in demand. Differential price implies changing different prices according to:

a) customer's ability to pay differentials (as in professional services of management consultants, lawyers);

b) price tune differentials (used in hotels, airlines, telephones where there is the concept of season and off-season and peak hours); and

c) place differential used in rent of property-theatre seat pricing (balcony tickets are more expensive than front row seats) houses in better located colonies command high rent.

ii) **Discount pricing** refers to the practice of offering a commission or discount to intermediaries such as advertising agencies, stock brokers, and property dealers for rendering a service. It may also be used as a promotional device to encourage use during low-demand time slots or to encourage customers to try a new service (such as an introductory discount).

iii) **Diversionary pricing** refers to a low price which is quoted for a basic service to attract customers. A restaurant may offer a basic meal at a low price but one which includes no soft drink or sweet dish. Once the customer is attracted because of the initial low price he may be tempted to buy a drink or an ice- cream or an additional dish. Thus he may end up buying more than just the basic meal.

iv) **Guaranteed pricing** refers to pricing strategy in which payment is to be made only after the results are achieved. Employment agencies charge their fee only when a person actually gets a job, a property dealer charges his commission only after the deal is actually transacted.

v) **High price maintenance pricing** strategy is used when the high price is associated with the quality of the service. Many doctors, lawyers and other professionals follow this pricing strategy.

vi) **Loss leader pricing** is one in which an initial low price is charged in the hope of getting more business at subsequently better prices. The danger is that the initial low

price may become the price for all times to come.

vii) **Offset pricing** is quite similar to diversionary pricing in which a basic low price is quoted but the extra services are rather high priced. A gynecologist may charge a low fee for the nine months of pregnancy through which she regularly checks her patient, but may charge extra for performing the actual delivery and post-delivery visits.

13.8 PROMOTION

The fundamental difference which must be kept in mind while designing the promotion strategy for services is that the customer relies more on subjective impressions rather than concrete evidence. This is because of the inherent intangible nature of services. Secondly, the customer is likely to judge the quality of service on the basis of the performer rather than the actual service. Thirdly, since it is difficult to sample the service before paying for it, the customer finds it difficult to evaluate its quality and value. Thus, buying a service is a riskier proposition than buying a product. As a marketing manager you must design a promotion strategy which helps the customer overcome these constraints. The four methods used for promoting services, viz. advertising, personal selling, publicity and sales promotion, are the same as used in the promotion of products. We shall now discuss them in the context of services.

Advertising

Advertising is any kind of paid, non-personal method of promoting by an identified organisation or individual. Certain services such as entertainment (cinema, theatre), passenger and freight transport (roadways, airlines, trains), hotel, tourism and travel, insurance have been advertising heavily in newspapers magazines, radio, TV to promote greater usage and attract more customers. However, certain service professionals such as doctors and lawyers have rarely used advertising as a means of increasing their clientele. A study conducted by J.R. Darling and D.W. Hackett in 1978 revealed that doctors, dentists, lawyers and accountants have a negative attitude towards advertising their services. But today, it's being the other way round. These groups have traditionally relied on word-of- mouth for attracting new customers. But this situation is changing and you can occasionally see an advertisement in the daily newspaper giving information about the location and timings that a particular doctor is available for consultation. These advertisements may also carry the message `Honorary doctor to the

President of India' or ex-director of a prestigious medical college or institution. Such messages help create positive image and credibility.

The guidelines which can be kept in mind while promoting services are as follows:

i) use-simple, clear messages;

ii) emphasise the benefits of service;

iii) promise only that which can be delivered and do not exaggerate claims;

iv) built on the word-of-mouth communication by using testimony of actual consumers in advertisements; and

v) provide tangible clues to services by using well-known personalities or objects to help customers identify the service. This is being done by Indian Railways in their advertising on TV wherein they are using well-known sports personalities to talk about the importance of railways to the nations' economic development and protection of railway property.

One other aspect which is of importance in designing an appropriate advertising strategy is the high level of consumer-organisation interaction required in certain types of services (beauty saloons, management consultant, and doctor). In these types of services, the objectives of advertising have been identified as:

i) creating an understanding of the company in the customers' mind by describing the company's services, activities and its areas of expertise

ii) creating a positive image for the company

iii) building a strong sense of identification with the customer by tuning in onto his needs, values and attitudes

iv) creating a positive background for the sales people to sell the services by providing all relevant information about the company.

Personal Selling: The problem with using personal selling to promote services is that in certain types of services, the service cannot be separated from the performer. Moreover, it is not a homogeneous service in which exact standards of performance can be specified. In such situations, personal selling implies using an actual professional rather than a salesman to sell the service. A firm of management consultants may send one of its consultants (junior or senior depending on the kind of customer being attended to) for soliciting new business. This kind of personal selling is certainly effective but also very expensive. One way of making personal selling more cost effective is to create derived demand by tying up with associated products and

services. A management consultant may associate with a bank, so that the bank recommends his (consultant) name to any new entrepreneur coming for a loan. A chain of hotels may team up with an airline to offer a concessional package tour (as has been successfully done for promoting Nepal, and is being done by Vayudoot and Indian Airlines and Jammu and Kashmir Tourism Department) way back in the seventies. The other way is to maintain a high visibility in professional and social organisations, getting involved in community affairs and cultivating other professionals so as to maximise personal exposure and the opportunities for getting work from new sources.

Publicity: Publicity is unpaid for exposure which is derived by getting coverage as a news or editorial item. It is possible to-get publicity when the service which you are offering is unique and, therefore, newsworthy, by holding a press conference in which you can associate your service with some issues of greater social relevance or by involving the interest of the newspaper or its staff in covering your service. The important point about publicity is that your choice of the newspaper, magazine and journal should be correct. The vehicle which you choose must be credible and enjoy a reputation of being trustworthy. Wrong choice of media vehicle will result in adverse publicity.

Sales Promotion

In the case of services, the sales promotion techniques which are used are varied and various in number. A doctor may charge lesser amount of fee on subsequent visits to encourage the patient's loyalty, paediatrician may send reminder cards to parents about their children's pending inoculations, a car mechanic may offer a guarantee for repairs undertaken up to three months, a chartered accountant may offer his services free for the first two visits to allow the customer to evaluate his work.

In services, sales promotion techniques are used to offset their perishability characteristic (family discounts offered by hotels in off-season in which two children under twelve are allowed free of charge) and to overcome the problem faced by customers in evaluating and judging the quality before making the purchase. Sales promotion techniques reduce the risk associated with the purchase.

13.9 DISTRIBUTION

The most important decision element in the distribution strategy relates to the issue of location of the service so as to attract the maximum number of consumers. The inseparability characteristic of services such as those of doctors, teachers, consultants, mechanics etc. poses a distribution constraint since they are able to serve only a limited, localised market. The other characteristic of services which affects the distribution strategy is the fixed location of services such as universities, restaurants, hospitals which necessitates the customer to go to the service location rather than vice-versa.

The first decisional variable in planning the distribution strategy relates to the location of the service. In deciding where to locate your service, you should raise the following questions as they would help you arrive at the right decision.

i) How important is the location of the service to the customers? Will an inconvenient location lead to purchase being postponed or being taken over by a competitor? The answer is yes in case of services such as dry cleaning, fast food outlets where convenience is the most critical factor. The answer is no in case of services provided by doctors and beauty parlours, where the customers' involvement with the provider of the service is very high and the decision is made on the basis of reputation, competence and past experience.

ii) Is the service, technology-based or people-based? How does the technology or people factor affect the choice of locations? How flexible is the service? Can the equipment and people be moved to another location without any loss in quality?

iii) How important are complementary services to the location decision? Can the clientele be increased by locating services where complementary products or services already exist? Garages and mechanic shops located next to petrol stations are examples of complementary location decision

The second decisional variable in the distribution strategy is whether to sell directly to the customers or through intermediaries. In case of services which are inseparable from the performer, direct sale is the only possible way of reaching the consumer. In case of other services such as hotels, airlines, property, life insurance, they may operate through middlemen. Table 5 provides an illustrative list of the intermediaries who sell services.

Table – 5

Typical Intermediaries for services

Services	Intermediaries
Hotels	Travel agents, tour operators, airlines
Airlines	Travel agents, hotels
Life Insurance	Agents
Shares	Stock brokers
Employment	Employment agencies
Financial Services	Banks, Financial Institutions
Products	Wholesalers, Stockiest, Retailers

The third decisional variable in the distribution strategy is how to provide the service to maximum number of customers in the most cost-effective manner (if the service is not of the kind that is inseparable). Some of the recent innovations in the area are rental or leasing, franchising and service integration.

India has witnessed a boom in the leasing business since 1982. Leasing or rental offers an easy solution for companies which want to expand and diversify but do not have the necessary resources to buy the required plant and machinery. Leasing offers them use of equipment, machines and building on the basis of a `rental' rather than outright purchase. Leasing is also available for buying cars and other consumer durables. This trend is now also becoming popular in services. Today we have the concept of time- sharing for holiday resorts. By making a one-time payment or paying an annual rental you become eligible to use accommodation facilities for a holiday in the place of your choice. Some holiday resort companies offer you the facility forever while others offer it for limited time duration. Sterling Resorts, MS Resorts, Punjab Tourism Resorts and Dalmia Resorts are some of the companies offering this service.

The other recent trend in distribution of services is that of franchising. Franchising is the granting of right to another person or institution to exploit a trade name, trade mark, or product in return for a lump-sum payment or a royalty. Companies have paid to use `Appu' the elephant which was used as the mascot for New Delhi Asian Games in 1982 to promote their products. This is an example of franchising in which companies have sought to increase their sales or enhance their

image by associating with a well known international event or personality (Walt Disney Characters such as Mickey Mouse). The other variation of this kind of franchising is when companies pay for use of the phrase `official suppliers'. Franchising is also widely used in services where some kind of homogeneity is possible as in the case of restaurants, beauty saloons, health cubs etc. Kwality (manufacturers of Kwality ice-creams and managers of chain restaurants) have established restaurants in major cities on the basis of franchise arrangements. International hotel chains such as Holiday Inn, Sheraton, Inter-Continental, have expanded world-wide using this franchising strategy.

Recent times have also witnessed the growth of integrated service system. Hotels may also offer local tours. This is being done by India Tourism Development Corporation (ITDC) which offers to its clients conducted tours to important tourist spots besides the hotel facility. This facility is offered under the name of Ashoka Travels and Tours. Hotel chains such as Taj, Oberoi, Welcom-group offer the facility of making reservations in any of their associate hotels in the chain. Travel agencies offer `package tours' in which they take care of all formalities such as visa, foreign exchange, reservations, local travel etc. Many computer companies offer free training for the employees of their customers on how to operate the computer. All these trends highlight the importance of using innovative methods to overcome the inherent characteristics of service products which make their distribution a complex affair.

13.10 PEOPLE

People constitute an important dimension in the management of services in their role both as performers of service and as customers. People as performers of service are important because, "A customer sees a company through its employees. The employees represent the first line of contact with the customer. They must, therefore, be well informed and provide the kind of service that wins customer approval. The firm must recognise that each employee is a salesman for the company's service" (E.M. Johnson, "An Introduction to the Problems of Service Marketing Management".) The importance of customers in services stems from the fact that most services imply active and involved customer-organisation interface.

Service Personnel: Service Personnel are important in all organisations but more so in an organisation involved in providing services. The behaviour and attitude of the personnel providing the service is an important influence on the customers' overall perception of the service and he can rarely distinguish between the actual service rendered and the human element

involved in it. How often have you had the experience of holding onto a telephone after dialing for assistance or trunk booking and receiving no response? Check with your parents or relatives who had experienced this poor response previously when mobile services not introduced in the country. What do you think has been the role and contribution of the operators towards giving our telephone system the image which it has during those days?

The case of telephone operators is still controllable because the telephone system presents a low contact organisation. Higher or low contact is defined on the basis of percentage of total time the customer has to spend in the system compared with the relative time it takes to service him. By this definition, restaurants, hospitals, schools represent a low contact organisation. High or low contact is defined on the basis of organisations. The other important distinction of service personnel is between those that are visible to the customer and those that are not. In a restaurant the waiters are visible while the cook in the kitchen is not. As a marketing manager you have to devote more time training the visible personnel, since they have greater responsibility in maintaining relations with the customer. The rice dish which is not cooked properly is the cook's fault but it is the waiter who will have to bear the brunt of the customers' anger. The manner in which the waiter behaves with the customer will be an important determinant in the restaurant losing that customer forever or retaining him as a regular client.

As a marketing manager your primary concern is the visible service personnel and especially so if yours is a high contact organization. You have to be concerned with ways in which you can improve the quality and performance of your service personnel. This can be done through:

iv) Careful selection and training of personnel;
v) Laying down norms, rules and procedures to ensure consistent behavior;
vi) Ensuring consistent appearance; and
vii) Reducing the importance of personal contact by introducing automation and computerization wherever possible.

Customers: Customers are important because they are a source of influencing other customers. In the case of doctors, lawyers, consultant's one satisfied customer will lead to a chain reaction bringing in his wake a number of other customers. Thus as a marketing manager, your first task should be to ensure complete satisfaction of the eixisting customers.

The kind of customers that you attract exerts an important influence on prospective customers. The prospective customer may feel attractive towards the organisation (it may be a restaurant, club, school, college) because it has his `type' of customers or it has the customer clientele towards which he himself is aspiring. On the other hand, the customer may turn away if he perceives the existing customers to be the kind with whom he would not like to be associated. You have to decide about the class of customers you would like to have and work towards providing your service organisation an image which will fetch you your future customers. The physical appearance of your organisation, the looks and behaviour of service personnel, the delivery of the service have all to be tuned into a desirable composite package.

13.11 PHYSICAL EVIDENCE

Cleanliness in doctor's clinic, exterior appearance and interior decor of restaurant, the comfort of the seating arrangement in a cinema hall, adequate facility for personal needs at the airport all contribute towards the image of the service (organisation) as perceived by the customer. The common element in these is that they are all physical, tangible and controllable aspects of a service organisation. They constitute the physical evidence of the service. There may be two kinds of physical evidence:

i) peripheral evidence; and
ii) essential evidence,

Peripheral evidence is actually possessed as a part of the purchase of service but by itself is of no value. Airline ticket, cheque book, receipt for a confirmed reservation in a hotel are examples of peripheral evidence. A cheque book is of value only if you have money in the bank-without that it is of no significance. Peripheral evidence adds on' to the - value of essential evidence. In a hotel you may find matchbox, writing pad, pen, complimentary flowers and drinks, which you may take away. These are representations of peripheral evidence. Such evidence must be designed keeping in mind the overall image which the organisation wishes to project and the reminder value of the evidence in its ability to remind the customer about the organisation.

Whereas peripheral evidence is possessed and taken away by the customer the essential evidence cannot be possessed by the customer; the building, its size and design, interior Layout and decor, logo and mnemonic device of the organisations are constituents of the essential evidence. The

essential evidence is a very critical input in determining the atmosphere and environment of the service organisation. Contrast the essential evidence of a Five-star hotel (its long driveway, grand entrance manned by a liveried doorman, sophisticated decor of lobby) with that of a fast food outlet (with bright colours, loud music, and bright lights) and judge the kind of rich and formal atmosphere of the former with the relaxed and casual atmosphere of the latter. You can use physical evidence to build a strong association in the customers' minds and also to differentiate your service from the competition. As a marketing manager it is your responsibility to manage the physical evidence in order to create the ideal environment for your service. You can do this in two ways: one by making the service more tangible, and two, by making it easier for the customer to grasp the concept of the service.

One obvious way of making the service more tangible is by developing a tangible representation of the service as is done in case of credit cards. Credit cards have a physical entity and are identifiable by their brand name (American Express, Diners, Visa, BOB, i.e., Bank of Baroda) and distinct looks of the card. Other ways by which a service can be made more tangible is by standardising the physical attributes such as location, interior decor, colour scheme etc. Most airlines use a dress for all their staff to help create a sense of identification Kwality ice-cream vendors and the packaging container for ice-creams have a standardised design of blue stripes on a white background. Similarly, Indian Airline's white and orange colour combination is well recognised:

The second way is to make it easier for the consumer to understand the concept of the service which you are offering with easily perceived objects and ideas. Promoters of package tours may provide detailed information about the hotel, food and transport facility they would be using to help the consumers understand the concrete dimensions of the tour and thus reduce their anxiety arising out of uncertainty.

Information which helps reduce uncertainty and provides specific: information about the various dimensions of the service should be provided to prospective consumers.

As a marketing manager you can help the consumers to understand the service you are offering by stressing the organisation and consumer relationship. Advertising agencies assign one account executive or a team to a particular client to help him identify with the agency.

Activity 5

Describe the components of physical evidence in case of railways and banks. Also describe the role of service personnel in these organisations. How can customers influence other customers in these service organisations?

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13.12 PROCESS

In service organisation the system by which you receive delivery of the service constitutes the process. In fast food outlets the process comprises buying the coupons at one counter and picking up the food against that at another counter.

The process of delivery function can be compared with that of operation management in a manufacturing unit. In a factory situation operations management implies the conversion of input into the finished product, But in a service organisation there is no clear cut input or output. Rather it is the process of adding `value' or `utility' to system inputs to create outputs which are useful for the customers.

Services can be described on the basis of type of process used in the delivery of the service. The three kinds of delivery processes that are applicable in case of service products are line operations, job shop operations and intermittent operations. Self- service restaurants and shops are examples of line operations. The consumer moves through logically arranged operations

which are arranged in a sequence. In a self- service departmental store, the consumer starts picking up the items he needs and pays for them near the exit. This kind of delivery process is relevant when the service you are providing is fairly standard and the consumers' requirement is of a routine nature.

When the consumers require a combination of services using different sequences, the job shop type of operation is more useful. Hospitals, restaurants and educational institutions usually have this type of delivery process. In a hospital, some patients need only consultation in the Out Patient Department, some others may need consultation at well as medication or X-ray, some patients require hospitalisation for surgery, medication or investigations. All these categories of consumers require a different combination of the hospital's services. In a restaurant consumers order their own combination of dishes. A college may offer courses for full-time students, as well as for working people through correspondence.

Intermittent operations are useful when the type of service is rarely repeated. Firms offering consultancy for projects use this kind of delivery system. Advertising agencies also use the intermittent delivery system since each advertising campaign requires a unique set of input factors.

As a manager you are interested in optimising the efficiency of your organisation without sacrificing the qualitative aspect. Some of the critical questions you need to focus upon are:

1. What are the specific steps involved in delivering the service to the consumer?
2. Are they arranged in the most logical sequence?
3. If not, can some steps be eliminated, combined or rearranged to form a smoother sequence?
4. What are the steps in which the consumer is involved?
5. Can the consumers' contact be reduced or totally eliminated?
6. Can we introduce automation to speed up the delivery process?

13.13 SUMMARY

Services can be distinguished from products on the basis of their characteristics of intangibility, inseparability, heterogeneity, lack of ownership and perishability. These characteristics pose a

challenge to the marketing manager who has to find solution to constraints imposed by these features.

The marketing of services requires an extended marketing mix comprising production pricing, promotion and distribution as well as people, physical evidence and process. The marketer has to lay great stress on the last three elements of the marketing strategy and combine them with the first four to achieve a harmonious blend which fulfils the customer's want-satisfaction

13.14 KEY WORDS

Intangible: That which cannot be seen, touched, smelt or tasted but can only be perceived.

Perishable: If not used or consumed will be lost forever. Cannot be stored.

Inseparable: Cannot be separated from the person responsible for providing the service.

Loss leader pricing: Initial low pricing to attract more customers/repeated usage or consumption at subsequently higher prices.

Physical evidence: Building, decor, lighting, logo, letterhead, labels, design of product, physical representative (credit card, life insurance, policy document) which contributes to the `looks' and `atmosphere' of the service organisation.

13.15 SELF – ASSESSMENT TEST

1) Distinguish Product Marketing and Services Marketing, giving suitable examples. Discuss the reasons for growth of the service sector post Indian economic reforms. Elaborate.

2) Discuss the distinguishing characteristics of services which make them different from tangible goods. What is the implication of these characteristics in marketing of services?

3) Explain the concept of service. Why do People and Physical Evidence assume significance in the overall marketing effort of the following services?

a. An Educational Institute

b. Health Club

4) Marketing social issues is more challenging than Product/Service Marketing. Discuss.

Identify any socially relevant issue in the Indian context and discuss how you would go about marketing it.

5) Explain the three additional marketing mix elements essential in marketing of services explain with two service offerings of your choice.

6) What makes pricing of services a challenging task for marketers? Identify any two service offerings of you are familiar with and propose how to overcome these challenges.

13.16 FURTHER READINGS

V.S.Ramaswamy & S. Nama Kumar, 2008 *Marketing Management planning, implementation & Control,* 3rd edition, Macmillan India Ltd., New Delhi

Steve Baron 1995, *Services Marketing,* Macmillian India Ltd. New Delhi

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UNIT 14 DIGITAL MARKETING

Objectives

After reading this unit, you should be able to:

- understand what is Digital Marketing
- appreciate the growing importance of Digital Marketing
- discuss the difference between Traditional Marketing and Digital Marketing
- describe different types of Digital marketing
- recognize the importance of Digital Marketing for business success
- identify the future trends in Digital Marketing
- put together a Digital Marketing plan successfully

Structure

14.1 Introduction to Digital Marketing

14.2 Internet and Digital Marketing

14.3 Definition of Digital Marketing

14.4 History and Evolution of Digital Marketing

14.5 Difference between the Traditional and Digital Marketing

14.6 Pull and Push Approaches to Digital Marketing

14.7 Importance of Digital Marketing

14.8 Types of Online Presence

14.9 Different types of Digital Marketing

14.10 Future and Growth of Digital Marketing

14.11 Summary

14.12 Self- Assessment Questions

14.13 Key-Words

14.14 Further Readings

14.1 INTRODUCTION TO DIGITAL MARKETING

Dear Students, in this section, we will be learning about Digital Marketing, its importance and its contribution to Marketing.

Before the development of technology, marketing and purchasing was done by the people using old traditional method. Do you remember how in the past your grandparents and parents used to read the Newspapers or hear to an advertisements on Radio or Television and thus collect the information before visiting the shops physically to purchase the goods and services.

As the digital technology developed, more and more businesses started to use digital technologies which were well within their means for the sales and marketing of their goods and services. This usage of digital technology by businesses, led to goods and services being made available on 'online purchasing platforms' for the consumers. This development of digital technology, its implementation and its use by businesses in the area of marketing is called as Digital Marketing.

Digital Marketing has changed the people's viewpoint towards business, sales and marketing of goods and services.

The continuous development in technology and digital media is changing the world at a very fast rate. Digital technology has transformed business and human lives across the world. It has brought change in the manner we try to access the information. For example, the way we use the Computers, Mobiles and Google to search information. It has also changed the way we interact and communicate with our family members and friends, for example, by using Email, SMS, WhatsApp and Social Media.

Digital Marketing is a modern form of marketing. It uses internet, digital technologies, digital platforms and devises such as computers, laptops, mobiles, and tablets. It is used to promote,

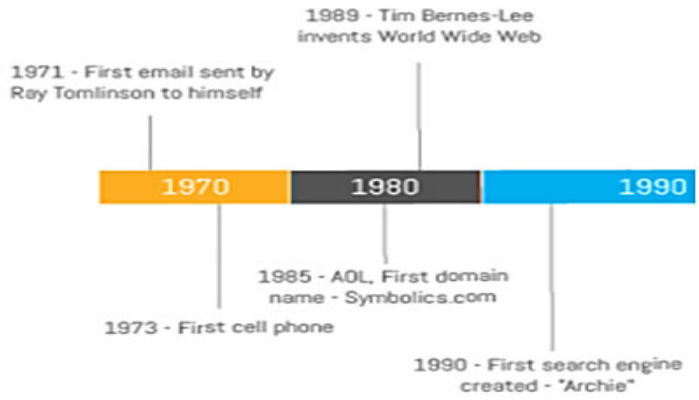
help and support –products, brands and services to the consumers. The progress in the area of Digital Marketing has changed the manner brands use technology for marketing.

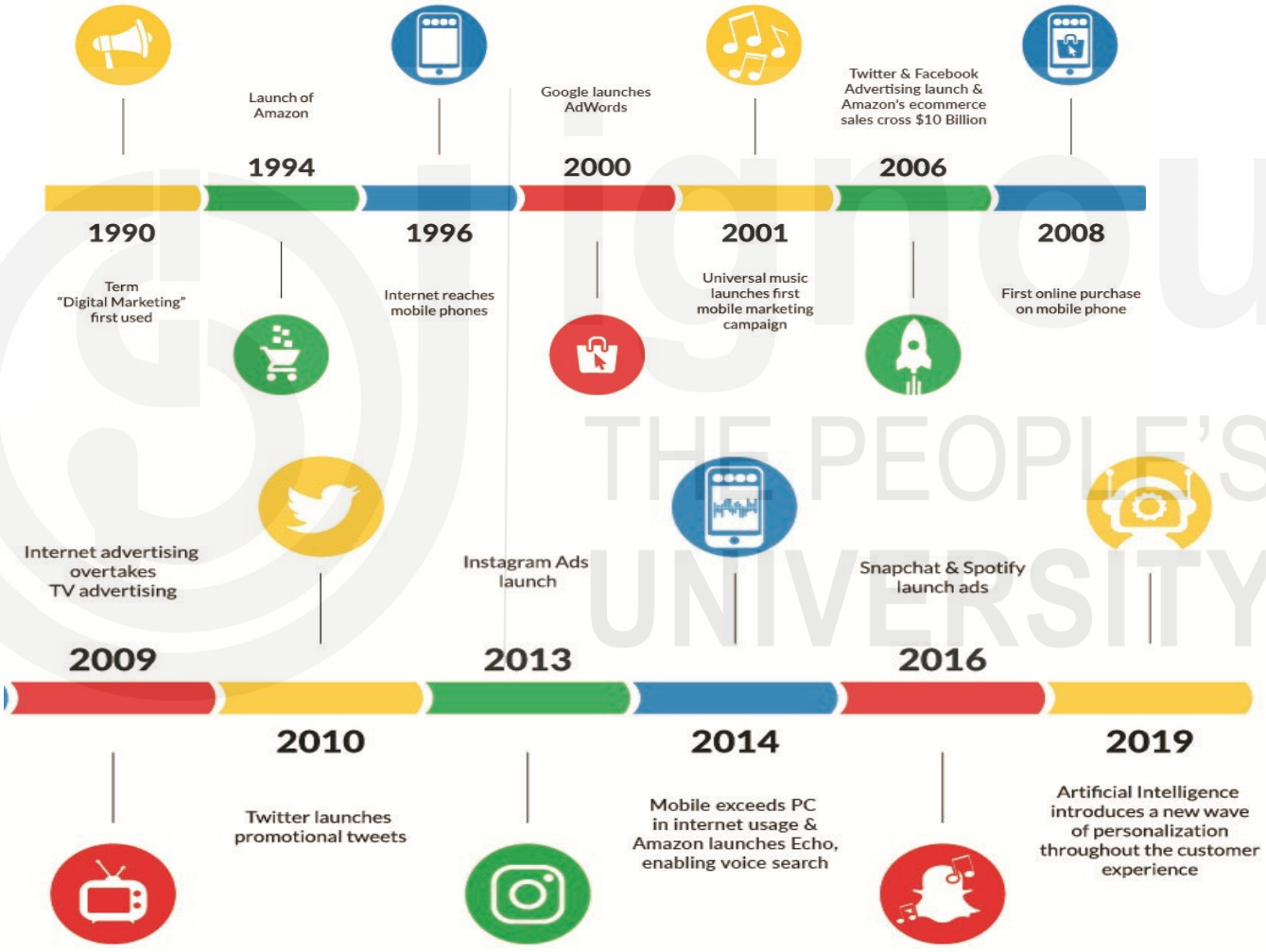
The Digital Marketing makes use of the online channels and means, to help the businesses observe and study their marketing campaigns. The Digital Marketing gives 'real time' results, which helps the businesses to understand and explore its success and failure.

Digital technologies and digital platforms are fast growing. We see them increasing day by day in the marketing strategies and the everyday life of the consumers. Therefore, consumers today are now well aware of the digital devices such as computers, mobiles, tablets etc. For example, if a person wants to buy a good laptop, he/she can find and read all the information regarding its features, purchase and price. He/she can search for it online and purchase it on Amazon or Flipkart. He can also contact the available brands on their respective website or social media handles, instead of physically visiting the markets and shops for it.

The Digital Marketing campaigns have become well-known in the recent years. These campaigns use the following strategies namely, Search Engine Optimization (SEO),Pay-Per-Click, Search Engine Marketing (SEM), Influencer Marketing, Content Marketing, Content Automation, Campaign Marketing, Data-Driven Marketing, E-Mail, Social Media Marketing, E-Commerce Marketing, Direct Marketing and Social Media Optimization. We shall understand and discuss these strategies in detail in the later part of this chapter. Non-internet based channels for example - TV, Mobiles (MMS and SMS), cold calls, and on-hold mobile hello-tunes and ringtones are all a part of Digital Marketing.

The info graphic given below shows the timeline which would help us understand the evolution and development of Digital Marketing from 1970 to 2019.


1989 - Tim Bernes-Lee
invents World Wide Web
1971 - First email sent by
Ray Tomlinson to himself
1970
1980
1990
1985 - AOL, First domain
name - Symbolics.com
1973 - First cell phone
1990 - First search engine
created - "Archie"


1990
Term
"Digital Marketing"
first used
1994
Launch of
Amazon
1996
Internet reaches
mobile phones
2000
Google launches
AdWords
2001
Universal music
launches first
mobile marketing
campaign
2006
Twitter & Facebook
Advertising launch &
Amazon's ecommerce
sales cross $10 Billion
2008
First online purchase
on mobile phone
2009
Internet advertising
overtakes
TV advertising
2010
Twitter launches
promotional tweets
2013
Instagram Ads
launch
2014
Mobile exceeds PC
in internet usage &
Amazon launches Echo,
enabling voice search
2016
Snapchat & Spotify
launch ads
2019
Artificial Intelligence
introduces a new wave
of personalization
throughout the customer
experience

14.2 INTERNET AND DIGITAL MARKETING

We have read so far, that the developments in Digital Marketing are dependent on the advances of the internet. The later 1960s saw the making of the first workable prototype funded by the Defense Department of the United States of the 'Advanced Research Projects Agency Network' (ARPANET). The ARPANET then made use of 'packet switching' (i.e. the transfer of small parts of data to many networks)to allow several computers to communicate on a single network.

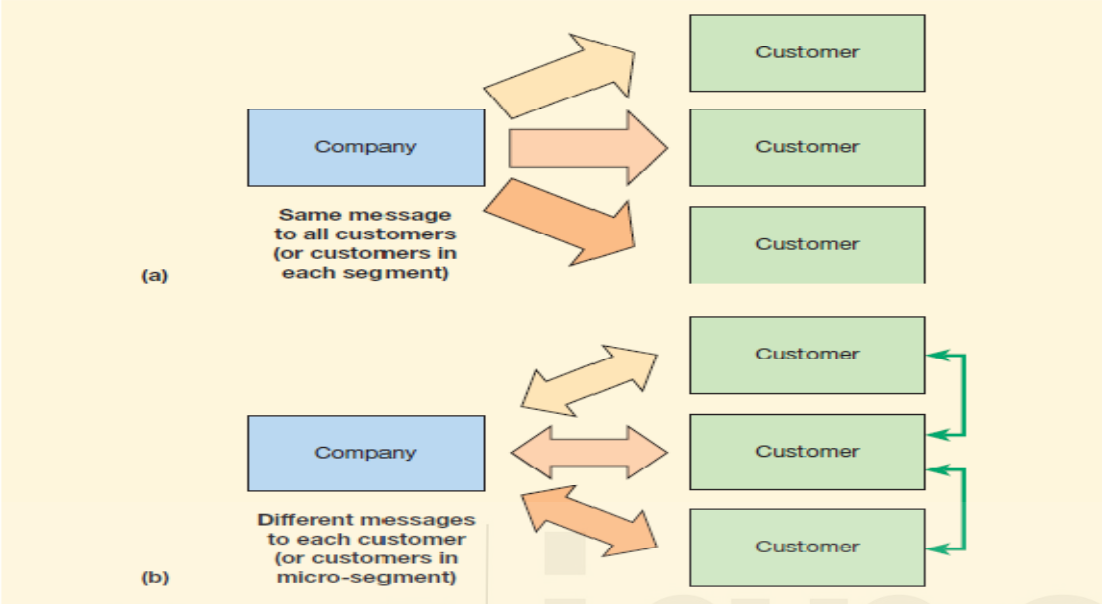
The continuous hard work, involvement and contribution of many scientists, helped in the development on the internet. The online world became recognizable in the 1990s, when computer scientist Tim Berners-Lee invented the World Wide Web (WWW).

The digital age started with the launch of the internet and the development of Web 1.0 platform. Therefore, the term 'Digital Marketing' was first used in the 1990s. Digital Marketing is also known as Online Marketing.

Digital Marketing helps the businesses to connect with their existing and their future customers by using electronic device or the internet. This is just in contrast to the Traditional Marketing which is often referred to as "one-way" communication. For example, in the Traditional type of marketing the customers could not interact with business through a billboard, TV or print advertisement.

Whereas, the Digital Marketing being a dynamic tool, offers scope for a two-way communication between the brands and its actual or future customers. For example, a customer in order to purchase a Fastrack wrist watch can visit the website and place the order for it. After the purchase he can post the pictures, reviews of the watch or can even complain on the social media handle of Fastrack. Thus the digital marketing through social media not only helps the customers to write and communicate with the brands but also helps customers to communicate, like, share and comment on each other's posts.

This type of communication pattern i.e. (a) one way communication - the traditional marketing method and (b) two way communication - the digital marketing method, is hereby shown graphically.



Source: Digital Marketing (6th Edition) by Dave Chaffey, Fiona Ellis-Chadwick, Publisher: Pearson.

14.3 DEFINITIONS OF DIGITAL MARKETING

Various marketers and authors have from time to time defined digital marketing according to their different viewpoints, for example:

- The *Institute of Direct and Digital Marketing (IDM)*has defined Digital Marketing as –'the management and execution of marketing using electronic media such as the web, e-mail, interactive TV and wireless media in conjunction with digital data about customers' characteristics and behaviour'. The IDM's definition highlights how digital marketing uses electronic devices and media, along with their customer behaviour data to form marketing strategies.
- In 2000, the 'Smarter Insights' (a publisher and an online learning platform), defined Digital Marketing as - 'Achieving marketing objectives through applying digital technologies'. That is to say Smarter Insights stressed on the use of digital technologies by companies to help them realize their Marketing objectives.

- Kotler and Armstrong, well-known marketing gurus defined Digital Marketing in 2009 as – 'A form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera'. Kotler and Armstrong stated and explained that digital marketing directly connects the customers with the sellers, by using electronic devises for communication.

- In 2011 Bains et al. defined Digital Marketing as - 'It facilitates many-to-many communications due to its high level of connectivity and is usually executed to promote products or services in a timely, relevant, personal and cost-effective manner'. This definition highlights the ability of digital marketing to connect, communicate and promote to multiple people in a personalized manner at a reasonable cost.

- Chaffey, 2012 defines Digital Marketing as – 'The application of the Internet and related digital technologies in conjunction with traditional communications to achieve marketing objectives'. This definition emphasizes on the application of a combination of digital technologies and the existing traditional marketing methods to effectively succeed in business.

- The Chartered Institute of Marketing in 2015, defined Digital Marketing as – 'the management process responsible for identifying, anticipating and satisfying customer requirements profitably'. The definition refers to Digital Marketing as a management process which successfully helps in satisfying the customers by identifying their expectations.

- Kingsnorth, 2016 defined Digital marketing as – 'basically applying all marketing techniques to digital channels. Different sources can be used to promote services and products like SMS, search engines, email, websites, social media and mobile devices. The digital nature of this marketing method makes it a cost-effective means of promoting one's business'. The definition clearly emphasizes on Digital Marketing as a cost – effective way of marketing a business with the help of websites, SMSs, emails, Social Media and Search Engine Marketing.

- The American Association of Marketing defines Digital marketing as – 'the use of digital or social channels to promote a brand or reach consumers. This kind of marketing can be executed on the internet, social media, search engines, mobile devices and other channels.' The definition recognizes the use of internet, search engines, social media, mobiles and other digital channels to promote brands among the consumers.

Activity 1

Choose any one of the definitions mentioned above and explain it using an example:

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14.4 HISTORY AND EVOLUTION OF DIGITAL MARKETING

This section will help us understand the advent, development and growth of Digital Marketing from time to time.

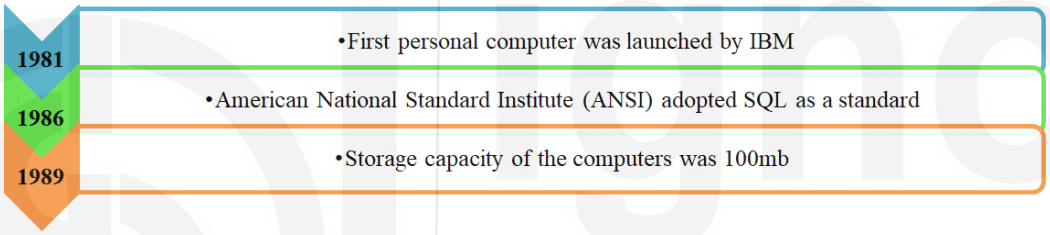
Digital Marketing in the 1980s

Digital Marketing can be traced back to the 1980s. IBM in 1981launched its first personal computer and by 1989 its storage capacity was increased to 100 MB. In 1980sthe organizations felt and realized the importance of maintaining relationships with customers. This realization saw the emergence of Digital Databases (A Digital Database is an extensive record regarding a specific subject).These Data bases changed the dynamics of the buyer-seller relationship. Thus the organizations too started maintaining a database of customers, prospects and commercial contacts. For example, Google books is one of the most popularly used digital library.

As a result of the above mentioned database formation and the importance of its use, around the 1986, the father of marketing automation - Robert Kestenbaum and Robert Shaw, together

created quite a lot of database-marketing models. These Database Marketing solutions contained several features that include - campaign management, contact strategy optimization, sales channel automation, marketing resource management and marketing analytics. This enabled the organizations to further track, gain information and store their customers like never before. For example, when you shop at Westside for the first time, the executive at the billing counter collects your phone number, date of birth, anniversary and place of residence to be added to their database. This information helps Westside to continuously track and connect with you by sending SMSs regarding birthday and anniversary greetings, sales, discounts, points earned information.

Given below is a simple figure to explain the Digital Marketing timeline in the 1980s.


1981
•First personal computer was launched by IBM
1986
•American National Standard Institute (ANSI) adopted SQL as a standard
1989
•Storage capacity of the computers was 100mb

Source: Created by the author

Digital Marketing in the 1990s

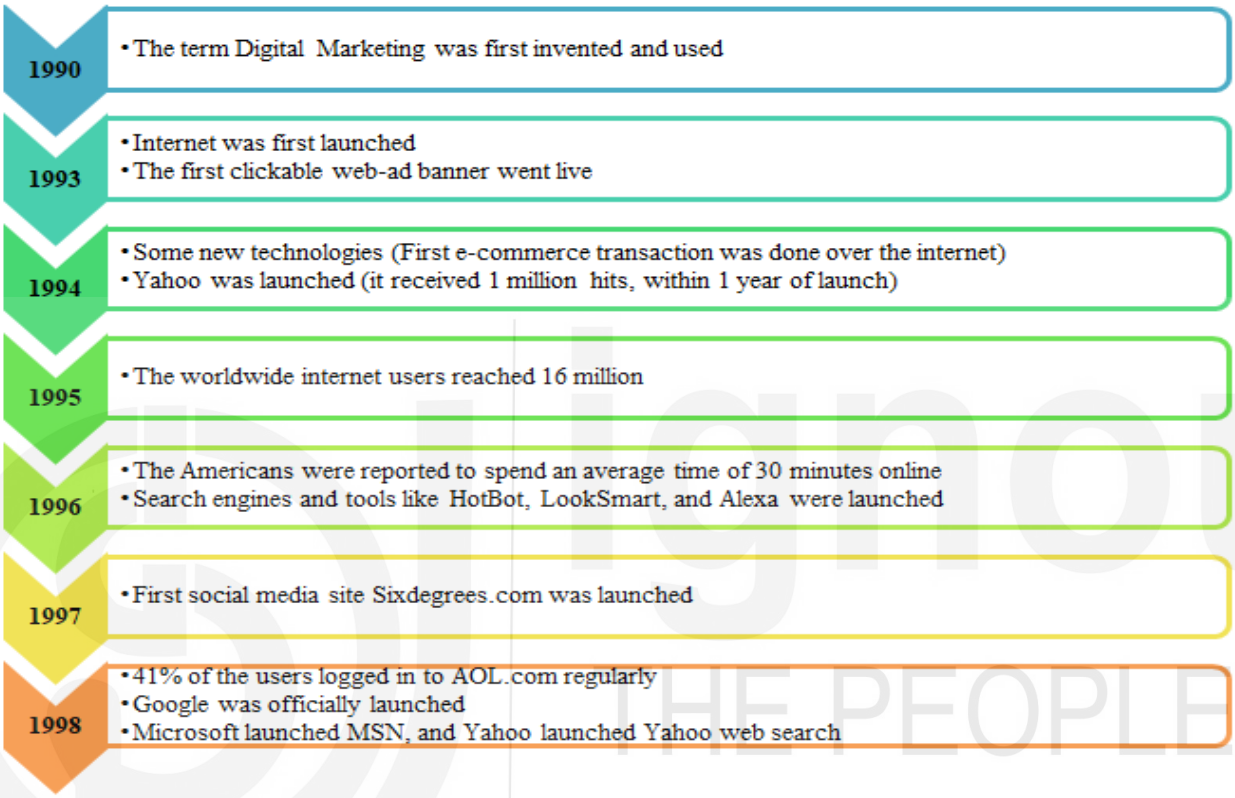
During the 1990s, the Customer Relationship Management (CRM) tools grew into being extremely popular. CRM is defined as - a software which tracked all the business interactions between the current and future customers.

Sales Force Automation (SFA) was the first step towards CRM. SFA is a system which aims to improve the sales by automating various sales related processes. For example, automation of emails, newsletters, social media updates by brands, Chat bots, automatic email replies etc. The SFA also provided the organizations with the information regarding inventory levels and control, and interactions with the customers.

Google by 1998 became the most popular web-based search engine and played a pivotal role in optimizing Digital Marketing Campaigns and Search Marketing. During 1999 the internet supported the emerging eCRM vendors, thus, increasing their online data storage volume. This

development enabled companies to continuously update their information, leading to their enhanced customer experience.

Given below is a simple figure to explain the Digital Marketing timeline in the 1990s.

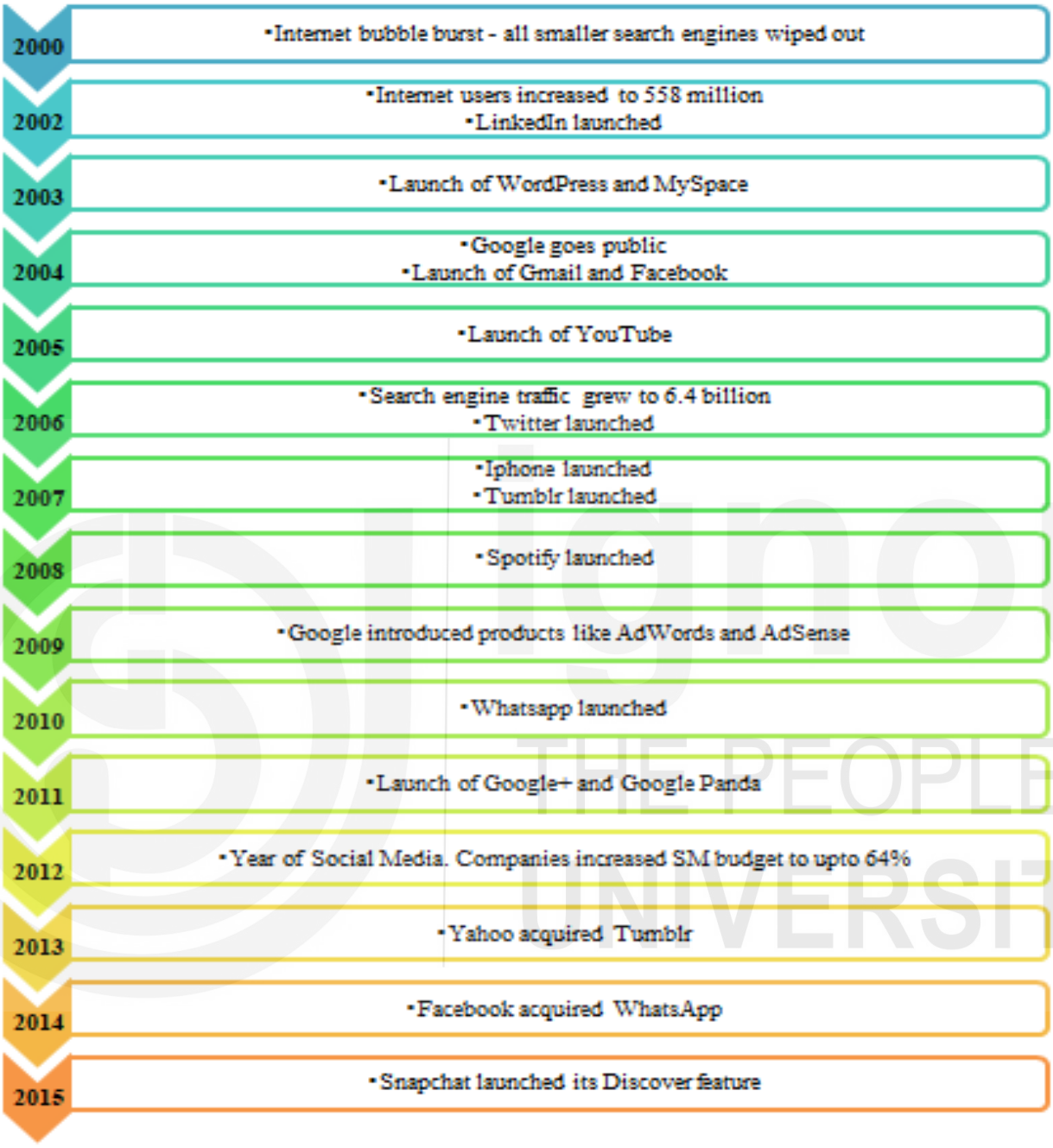

1990
•The term Digital Marketing was first invented and used
1993
•Internet was first launched
•The first clickable web-ad banner went live
1994
•Some new technologies (First e-commerce transaction was done over the internet)
•Yahoo was launched (it received 1 million hits, within 1 year of launch)
1995
•The worldwide internet users reached 16 million
1996
•The Americans were reported to spend an average time of 30 minutes online
•Search engines and tools like HotBot, LookSmart, and Alexa were launched
1997
•First social media site Sixdegrees.com was launched
1998
•41% of the users logged in to AOL.com regularly
•Google was officially launched
•Microsoft launched MSN, and Yahoo launched Yahoo web search

Source: Created by the author

Digital Marketing in Post Millennium

Post millennium witnessed huge development in the area of Digital Marketing. The 2000s saw the entry and launching of today's well-known star performers such as Facebook, LinkedIn, WhatsApp, Snapchat to name a few. These developments changed the manner in which the companies did businesses around the world. Realizing the potential of Digital Marketing many companies ventured into investing up to 60% of their funds in Digital Marketing.

Given below is a simple figure to explain the Digital Marketing timeline in the 2000s.



Source: Created by the author

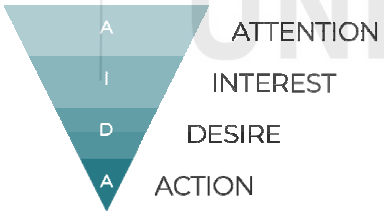
Therefore, it can be concluded that Digital Marketing has been exponentially growing and continuously providing large opportunities to connect both the users and the companies.

14.5 DIFFERENCES BETWEEN TRADITIONAL MARKETING AND DIGITAL MARKETING

Traditional Marketing: Traditional Marketing is an old technique of marketing used by brands and companies to market, promote and sell their products and services. It includes - promotions, advertisements – such as use of Flyers, Billboards, Print, Newspaper, Television and Radio advertisements, just to name a few for you. The Traditional Marketing revolves around the following four phases: Attention, Interest, Desire, and Action (AIDA).For example:

- Attention – When you come across an improved and effective version of face mask or cloth sanitizer it grabs your attention.
- Interest – Interest can be created by sharing more information about the face mask or cloth sanitizer through a video, a poster or a detailed description with people.
- Desire – Desire for buying the face mask or the cloth sanitizer can be created by the seller bysharing their advantages and the benefits of using the new or the improved version of the face mask or the cloth sanitizer.
- Action –The purchasing of the face mask or the cloth sanitizer or adding these items to the shopping cart online is the final action.

The figure below shows the AIDA funnel showing how customer goes through the above mentioned four phases of the purchase process in the Traditional Marketing.



Activity 2

Explain the four phases of AIDA in your own words by giving an example of a product or service of your choice.

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Digital Marketing: It is the present-day technique of marketing that began with the introduction and development of the internet, electronic devices and technology. The products and services are introduced, promoted, marketed and sold using online (internet based) process and resources. Digital Marketing includes platforms such as Google, Facebook, Instagram, YouTube, Twitter, Amazon, Flipkart, Myntra, Ajio, etc.

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Explained below are the differences between the Traditional Marketing and the Digital Marketing:

Area/Zone	Traditional Marketing	Digital Marketing
Medium	• T.V. Advertisements • Radio • Banner Advertisements • Broadcast • Sponsorship • Print Advertisements	• Search Engine Optimization (SEO) • Pay-Per-Click advertising (PPC) • Web Design • Content Marketing • Social Media Marketing • Email Marketing
Cost	It is expensive as it involves Printing, Radio/ TV advertisements which cost more to the company.	It costs lesser than the Traditional Marketing, since the use of online and social websites does not cost much.
Speed	Slow	Fast and dynamic
Impact	Difficult to measure	Supported by analytics
Target Audience Reach	Limited. It's easy to reach out to local audience with the Traditional Marketing methods or process.	Wide. It allows you reach the targeted audience from all over the world.
Marketing Approach	It is a more personal approach, as it is very easy for marketers to have a person-to-person relationship or promoting their brand's name.	The physical presence of the marketers is not required in digital marketing. However, physical presence of the marketers could act as a bonus.
Documentation	It enables the marketers to provide hard copies of product and service descriptions.	Digital marketing platforms host the description of the products and services on their websites, social media handles, videos, YouTube, etc. which can be accessed anytime and anywhere using the internet by the consumer.
Customer Interaction	Very less amount of interaction is involved as the promotion media is not flexible enough to include the customers' interaction.	Digital marketing offers a number of digital interaction platforms to their customers like social networking sites, e-commerce websites, Feedback apps, etc.
Marketing Analysis	The result of marketing analysis of the traditional marketing is complex, as the companies need to rely on the surveys and the findings of the market research.	Digital marketing, data and facts are recorded and stored online which makes it easy for the marketers to analyze the marketing result from time to time.
Real-Time Result	Companies are forced to wait for weeks or months to get the result.	Digital marketing gives quick and real time results.
Interruptions	Consumers cannot choose to skip advertisements or other promotional content.	Digital marketing allows the consumers to skip the promotional content and continue to engage with the products and services.
Strategy Refinement	Companies are not able to quickly draft or change their strategies as the Traditional Marketing does not offer real-time results.	Digital marketing offers real time results, thus, enabling the companies to change or update their market strategy according to the market results.
Communication	It involves only one-way communication as marketing media is rigid.	It promotes two-way communication. Thus helps satisfy the customers and make them feel cared and wanted.

Activity 3

Describe the difference between traditional marketing and digital marketing by giving example of any mobile phone.

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Case Example

Below given is a case example of the brand Coca Cola using the Traditional and Digital Marketing in India.

Traditional Marketing: For several decades Coca Cola has been using Traditional Marketing to market, promote and sell its products in India using Hoardings, News papers and TV as the media of communication with the customers.

The following given below are some examples of Coca Cola's Traditional Marketing campaign in India.

Hoarding advertisement **Newspaper advertisement** **TV advertisement**

Digital Marketing

With development of internet and increased usage of online and social media platforms, Coco Cola shifted towards Digital Marketing. It caught the attention of its consumers with the help of

a simple yet brilliant campaign **'Share a Coke',** wherein they offered their consumers the opportunity to interchange the brand name 'Coke' with their own names and followed by sharing their experiences with others through social media. This campaign was one of the most revolutionary marketing campaigns ever. Overnight globally, this campaign became a successful case study for the digital marketers against other traditional forms of marketing. The 'Share a Coke' campaign reflected a complementary mix of both online and offline media. Digital Marketing made it all the more important, as it made Coke's aim to deliver 'personalized brand experience' a reality.

The following given below are some examples of Coca Cola's Digital Marketing campaign in India.

Names in Indian languages on the Coca Cola bottle

Social Media Advertisements

Indian User Generated Content on Social Media

Activity 4

Choose any post – pandemic movie of your choice and describe how that movie adapted to the digital marketing strategies.

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14.6 PUSH AND PULL APPROACHES OF DIGITAL MARKETING

Push and Pull are two known approaches of Digital Marketing

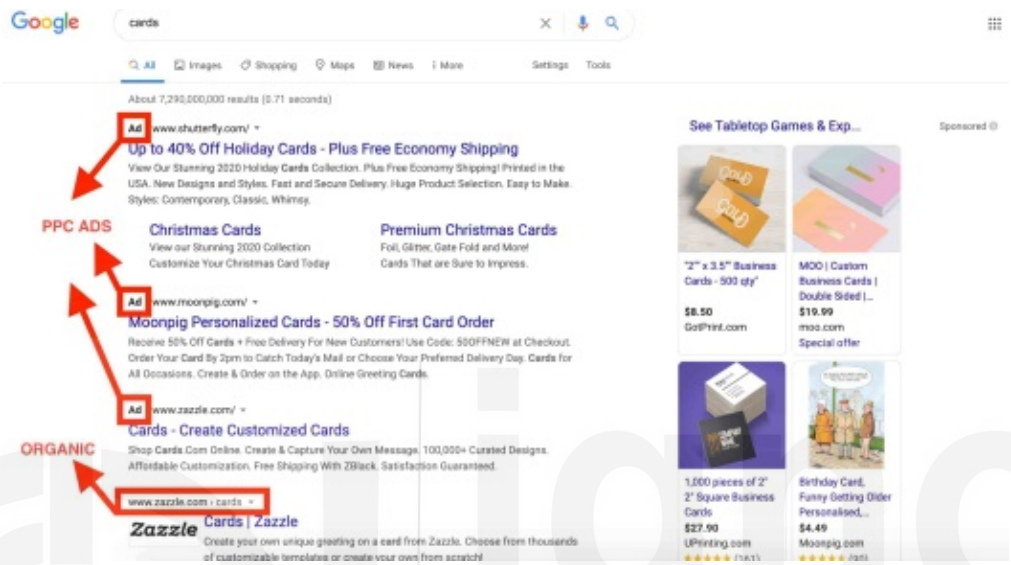
Push Marketing

Push Marketing is fundamentally or basically a form of Traditional Marketing.

In Push Marketing the companies make use of the Television, Radio, Direct mails, Print, Billboards, etc. to communicate with their target audience. It is a broad, shotgun approach that makes the products, brands or services, more visible among the audience to get the best results – but at a cost. Push Marketing is more considerate and active than other inbound marketing methods. It is generally preferred by businesses who intend to take benefit in a short period of time or making efforts to generate quick sales.

The Push Marketing usually involves spending money on promotions. For example, Pay-Per-Click (PPC) is one of the most popular advertising forms of Push Marketing. In PPC the

marketers can place their banners and display their shopping advertisements across online platforms using Search Engine Advertisements (as shown below)by paying a small amount of money every time the advertisement is clicked upon.



Push Marketing is often the primary business strategy for companies who are looking for:

- Launch of a fresh business idea or site without a repute
- Launching new services or products, holiday packages or seasonal events
- Promoting sales
- Growing to a newer niche market
- Generating quick sales or cash-flow
- Clearing out stocks before the end of a season
- Brand recognition in the competitor market
- Subsidizing a multi-channel strategy

Given below is an example which will help you understand the application of Push Marketing in a business situation.

For Example: Mr. Abhinav Soodis fond of traveling and is a sustainable tourism enthusiast. He recently launched a new travel agency named Galaxia, in New Delhi. His major short-term objectives of his new travel agency are:

- To provide excellent service

- Customers' satisfaction
- Business promotion

In order to attract customers' attention, reach the target audience, to build a good reputation and to establish his business Mr. Sooduses Push Marketing strategies.

- He uses Television, Radio and Print advertisements to promote his travel agency, the new travel packages and services offered.
- He uses the Search Engine Advertising tool to promote an exclusive seasonal trip to Kulu-Manali, Coorg, Darjeeling etc.
- He makes a quick cash flow by advertising about the discount he offers on a weekend getaway to destinations near Delhi or an off season trip to Goa.
- He also uses the Push Marketing strategies to promote an international trip to Maldives.

Activity 5

Explain how a Car companies use Push Marketing Strategies in their business.

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Pull Marketing

Pull Marketing, involves increasing the traffic naturally. It aims to create high-value and relevant content appropriate to attract the targeted audience. Pull Marketing reaches its goals by being sensitive towards the needs of the users, who actively seek information on the products and services offered. Search Engine Optimization (SEO), display advertising and creative content on social media are a few prominent forms of Pull Marketing.

Pull Marketing can be used as the primary business strategy by companies who are looking for:

- Ensuring long-term growth in business
- Maintaining domination in a specific industry or niche

- Building improved loyalty
- Promoting brand's recognition by working on the engagement of customers and brand visibility
- Increasing traffic on social media handles in addition to sharing social media content
- Growing traffic on the site across referral, organic and social segments
- Affordably improving the revenue and sales
- Engaging the customers at the top of the shopping funnel, even before they know what they want.

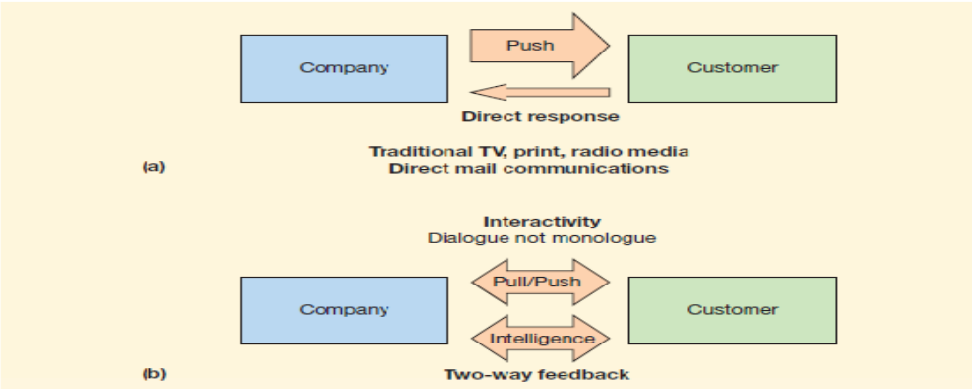
Given below is an example which will help you understand the application of Pull Marketing in a business situation.

For Example: Whenever, Nisha Malik wanted to shop online, the Amazon site appeared on top of the Search Engine list. It was so because Amazon continuously updates its content to suit the SEO requirements. Remembering the shopping experiences on the Amazon website, Nisha downloaded the Amazon app during the lockdown period to purchase necessary products and some essentials. The Amazon app soon becomes her go to space for shopping, as she engages in the Pull Marketing strategies implemented and used by Amazon, such as:

- The Amazon website and app sends a push notification to welcome Nisha on board.
- The app notifies Nisha each time about a new item added or an exclusive Amazon only offer.
- The app notifies Nisha on product she could add on her Wish list and the products that are offered on discount.
- She is redirected to the Amazon website and recently viewed products on Amazon, when she visits social media sites.
- During the pandemic Amazon also informs about their added product categories such as: masks, sanitizers, face shields, UV lights, gloves, etc. based on the demands of the environment.

Thus making itself all time relevant for the SEO, attracting and engaging the consumers with Pull strategies.

The figure given below shows the communication between the company and the customer using the Push and Pull/Push Marketing strategies.



Source: Digital Marketing (6th Edition) by Dave Chaffey, Fiona Ellis-Chadwick, Publisher: Pearson.

Activity 6

Explain how Swiggy/Zomato uses Pull Marketing Strategies in their business.

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14.7 IMPORTANCE OF DIGITAL MARKETING

Digital Marketing tries to reach and engage its targeted audience by providing and using variety of new, innovative, cost effective and personalized ways. A well planned and made Digital Marketing strategy delivers greater Return on Investment (ROI) than the Traditional Marketing strategies.

For example, when it comes to printing of advertisements, in magazines or newspapers what many businessmen don't understand are the aspects of circulation. The total number of readers who in reality see your advertisement will always be lesser than the numbers in circulation. Since a large number of magazines/newspapers issues almost always remain unsold.

However, the Digital advertisements are easily customizable than the print advertisements. Therefore, making digital marketing less risky. For example, if you are running a digital campaign, you can easily change the targeted audience from time to time. Digital advertisements easily allow you to make real-time adjustments in your marketing plans.

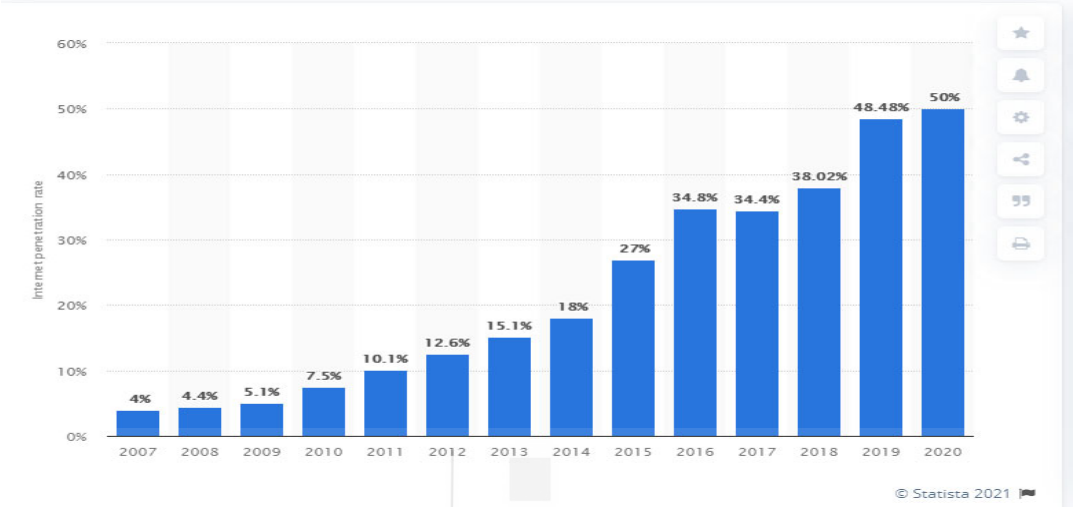
Digital marketing channel such as Google Ad words, charge based on Pay-Per-Click, rather than per impression. This means that the Cost per thousand impressions in some cases is zero. Therefore, digital marketing is the best bet for businesses with a limited budget that want to increase their chances of success.

Currently, the world without the internet is almost unimaginable. There are 4.66 billion active internet users all over the world, as of January 2021, which is around 59.5 percent of the world's population. 92.6 percent (4.32 billion) of this total, access the internet through mobiles. Internet is a fundamental pillar of the modern information society, connecting billions of people around the world.

Asia had the largest number of online users – over 2.3 billion as of 2019, whereas, China, US and India rank ahead all other countries. China and India have more than 854 million and 560 million online users respectively, however, large parts of their population is still offline.

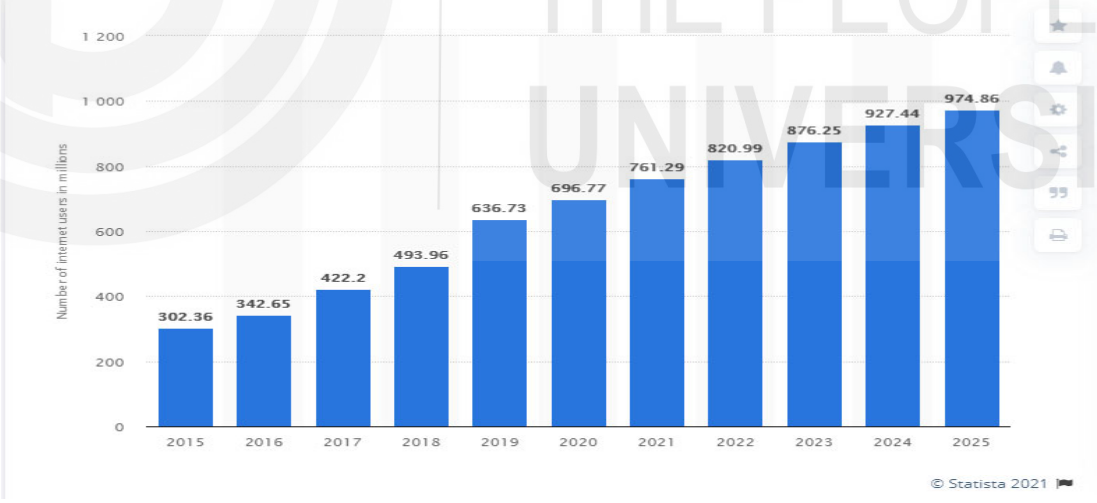
Discussed below are a few interesting statistics offered by Statista research data of India, that will help you understand the extent of penetration, usage and growth potential of Internet, Digital Marketing and Social Media for the success of any business.

Internet penetration rate in India from 2007 to 2020



The internet penetration rate in India has drastically grown around 50 percent in 2020, from about 4 percent in 2007.

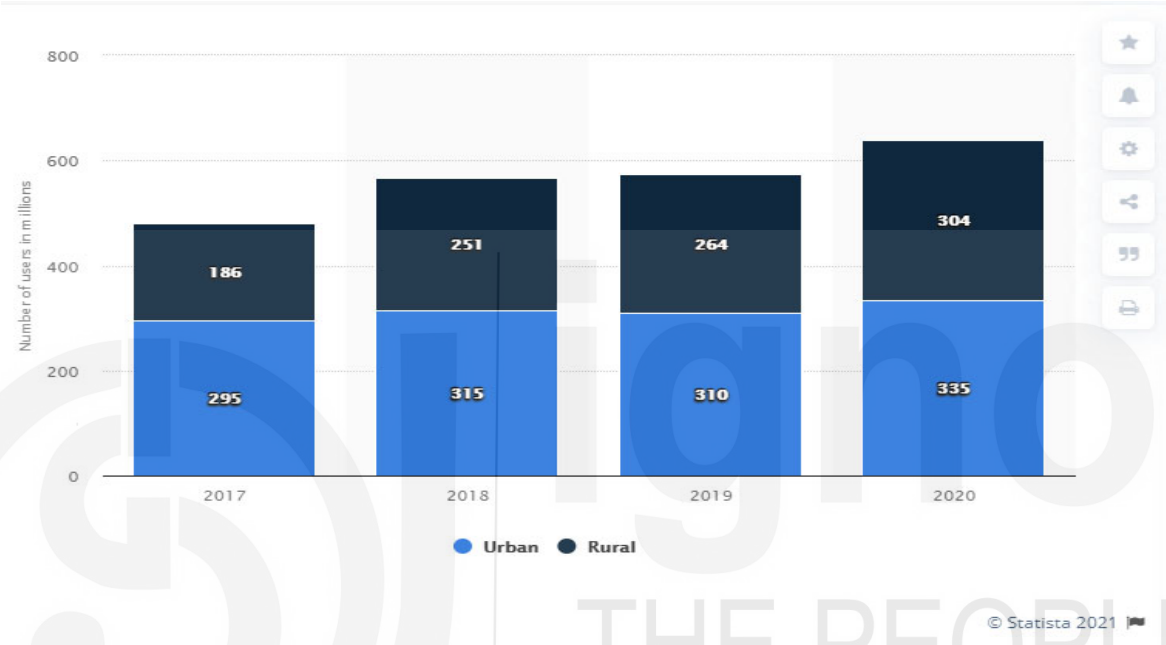
Number of internet users in India from 2015 to 2020 with a forecast until 2025 (in millions)



In 2020, it was estimated that India had almost 700 million internet users. This estimation is expected to grow more than 974 million users by 2025.This indicates a big leap in the market potential in internet services. In 2019, India was acknowledged second only to China as far as the largest online market of the world is concerned. Thus the rise of the Indian internet users is

expected to increase in both rural and the urban regions, promising a vibrant growth in the accessibility to the internet.

The Number of internet users in India - 2017 to 2019 (with an estimate for 2020 by region in millions)

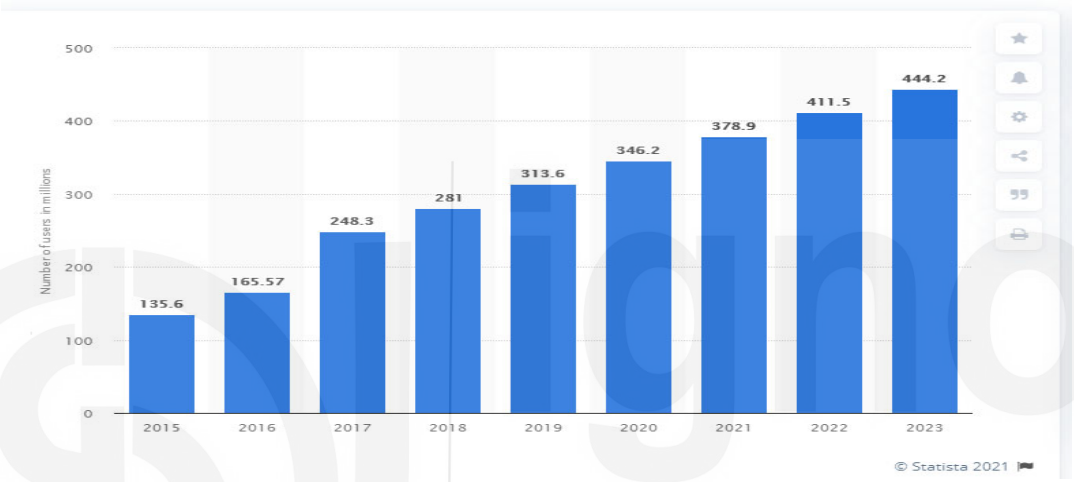


India's digital implementation has surprisingly been driven with high growth of internet users in the rural regions as compared to the urban counterparts of the country. It was found in 2019 that there were 264 million rural Indians who used internet, as compared to 310 million Indian urban internet users. It was estimated that by 2020, almost 304 million Indian rural users would be able to have access to the internet. This rise in Indian rural internet penetration is largely based on the improved availability of bandwidth, inexpensive data plans and numerous initiations taken by the government under the 'Digital India Campaign'. In 2019 more than 118 thousand villages and Gram Panchayats (small-town councils), have been equipped with the internet accessibility across India.

Researchers have observed that the number of women internet users or having access to internet is considerably lower as compared to their male counterparts. This bias is more evident in the rural India. In the same way, the use of internet is found low among the older adults possibly due to their internet illiteracy and the technology know-how. India's digital footprint can

significantly grow by encouraging the usage of internet among the sidelined groups which may also constitute the older people, the rural inhabitants and the women.

The Number of Facebook users in India - 2015 to 2018 (with a forecast until 2023 in millions)



The number of Facebook users in India is expected to reach 444.2 million in 2023, which has increased from 281 million of 2018. This indicates a stable growth and progress in the social media user base.

Benefits of using Digital Marketing for Business

Based on the above discussed statistics, it is clear that there is a significant increase in the user base, internet penetration and in the use of digital and social media. Thus, Digital Marketing becomes potential factor which can affect the success of the businesses.

Therefore, the following are some direct benefits of using Digital Marketing, based on the statistics discussed above:

- Marketing efforts that cost low and have higher flexibility.
- Easy accessibility to consumers using mobiles or consumers who indulge in online shopping.
- Ability to address with authority on product or industry related topics due to social media.

- Opportunities to involve with the influencers and make a rapport, earn their trust and respect and encourage them to endorse the brand.
- Chances to include and use various types of media in the marketing plans.
- It is able to track the customers' purchase journey, by following their digital foot-steps.
- Higher return on investment can be expected.

14.8 TYPES OF ONLINE PRESENCE

Chaffey and Ellis Chadwick (2015) identified four major types of online presence. Each of these online presences have different aims and purposes and are appropriate for diverse markets. We need to understand that these are not clear-cut defined categories of websites. A business may use any of these combinations of the online presence types and use it according to their market needs. As you review some websites on the internet, you may come across and note that an organization's website has different pages focusing on - services, sales and transactions, relationship-building, providing entertainment and news and brand-building.

The four major types of sites are:

1. Transactional e-commerce site

Transactional e-commerce sites enable online product purchase. The major contribution of this business site is through sales. The purpose of these sites is also to support the businesses by giving information to their consumers who choose to purchase offline.

For Example: Amazon, Big Basket, Myntra

2. Services-oriented relationship-building website

These sites give information to encourage buying, its consumption and build their relationships. Services and products listed on the site are not for purchase. However, information is given to the consumers to help them be informed and make their buying decisions. Their major business contribution is to encourage sales offline and to generate queries and leads from their potential customers. These types of sites provide value to their existing customers by giving them detailed information to support and help their purchase decision.

For Example: Hyundai, Tripadvisor

3. Brand-building site

This site just gives an experience to its consumers to support the brand. The services and products at this site are not for online purchase. Their major focus is to support the brand by developing an online experience of the brand for the consumer. These sites are typically for low-cost and high-volume brands.

For Example: Any Fast-Moving Consumer Goods (FMCG)

4. Portal or media site

This site offers news and information regarding various ranges of topics. The 'Portal' means or denotes to a gateway of information. The information is made available on this site in addition to information links to other sites. Portals generate revenue through variety of options – commission based sales advertising and sale of customer data (lists).

For example: MSN

Activity G: Visit the sites mentioned below and describe them.

- **Transactional e-commerce site** - Online retailers: Amazon (www.amazon.in) or Myntra (www.myntra.com)
- **Services-oriented relationship-building web site** - Volkswagen (www.volkswagen.co.in) or Phillips (www.philips.co.in)
- **Brand-building site** - ITC (https://www.itcportal.com/brands-microsite/aashirvaad.aspx)
- **Portal or media site** - Yahoo! (www.yahoo.com)

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14.9 DIFFERENT TYPES OF DIGITAL MARKETING

We have already defined and discussed digital marketing in detail in the previous sections.

This section would help you know and understand regarding the various types of Digital Marketing services which companies or individuals opt to increase their digital presence.

The big brands or companies use almost all the below mentioned Digital Marketing strategies. Whereas, the small brands or companies with low budgets may consider investing only in a few to benefit them. The selection of strategy is majorly based on the kind of business and their business promotion goals.

The following is the list of various Digital Marketing types:

- SEM (Search Engine Marketing)
- SEO (Search Engine Optimization)
- PPC (Pay-per-click)
- SMM (Social Media Marketing)
- Content Marketing
- Email Marketing
- Influencer / Affiliate Marketing
- Viral Marketing
- Radio Advertising
- Television Advertising
- Mobile Advertising

1. Search Engine Marketing (SEM)

SEM usually includes PPC and SEO works. Attracting the traffic to the websites through search engines is challenging. Therefore, SEO and PPC are used to get website traffic through paid and unpaid means. Keywords are the foundation of the Search Engine Marketing strategy. Primarily one needs to recognize and classify the keywords relevant to the products, services or business. The keywords need to relevant to the prospective customers' search query. This type of Digital Marketing strategy can be used by both big and small businesses to grow and attract traffic to their sites.

For example: The following are the suggested Keywords for a shop that sells cotton clothing.

Ad group	Keyword	Avg. Monthly Searches
Fabric	chenille fabric	8100
Fabric	chiffon fabric	18100
Clothing	clothe	14800
Clothing Store	clothing stores	110000
Clothing	cloths	40500
Cotton Fabric	cotton fabric	49500
Fabric By The Yard	cotton fabric by the yard	49500
Cotton Fabric	cotton fabrics	6600
Fabric	denim fabric	9900
Fabric Design	designer fabric	6600
Fabric Design	designer fabrics	6600
Discount Fabric	discount fabric	9900
Fabric	drapery fabric	12100
Dress	dress fabric	14800
Fabric	dress fabric	14800
Fabric	dressmaking fabric	12100
Fabric Dye	dylon fabric dye	8100
Keywords like: Fabric	fabric	673000
Fabric	fabric by the metre	12100

2. Search Engine Optimization (SEO)

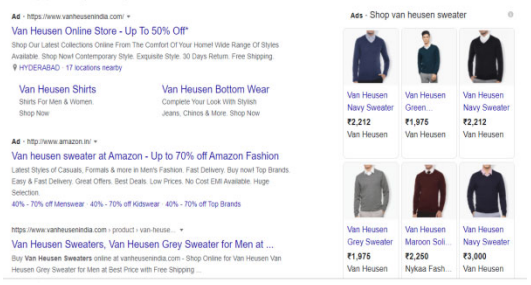
SEO aims to improve the business for search engines, such as Bing, Yahoo, Google, and YouTube to name a few. SEO helps to move up the Search Engine Results Page (SERP) rankings of a website to enable better visibility while the users search online. A lot of consumers do not scroll to 'page 2' of search engines. Therefore, it becomes important and necessary to work towards generating more business from online searches. SEO takes time to give results.

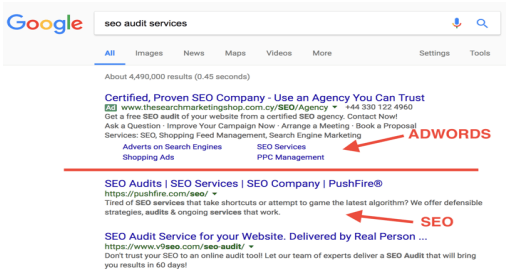
The SEO works using the crawlers or robots to collect and index the data in the archives of the search engine. The research of keyword, its ranking and analysis, defines how a brand fairs against its competitors. Based on this, the website and its content is optimized to build quality links' to and from', for search engines to crawl efficiently. SEO is continuous on-going strategy to attract traffic organically and the longer and more you invest in it, the higher and better results it would yield. It is suitable for both big and small businesses.

3. Pay-per-click (PPC)

PPC is a form of advertisement on search engines, like Yahoo, Bing, YouTube, Google etc. PPC is a method of pushing the website or product to the top of Search Engine Results Pages (SERP) using paid mechanism. The client's account is charged every time when the customer clicks on the adverts. The CPC (cost per click), is determined based on the website's quality score and the selection of keywords and its competition. It is advisable to successfully find the keywords that do not charge too much. PPC campaigns can be used a long-term or a short-term solution; many brands and companies also use it to promote seasonal deals, as a means to increase revenue. SEO works on the ranking 'earned', but through PPC the rankings on the first page can be 'purchased'.

Given below is an example of SEO and PPC


Van Heusen Online Store - Up To 50% Off*
Van Heusen Shirts
Van Heusen Bottom Wear
Van heusen sweater at Amazon - Up to 70% off Amazon Fashion
Van Heusen Sweaters, Van Heusen Grey Sweater for Men at ...
Shop van heusen sweater


Google
seo audit services
Certified, Proven SEO Company - Use an Agency You Can Trust
ADWORDS
SEO Audits | SEO Services | SEO Company | PushFire®
SEO
SEO Audit Service for your Website. Delivered by Real Person ...

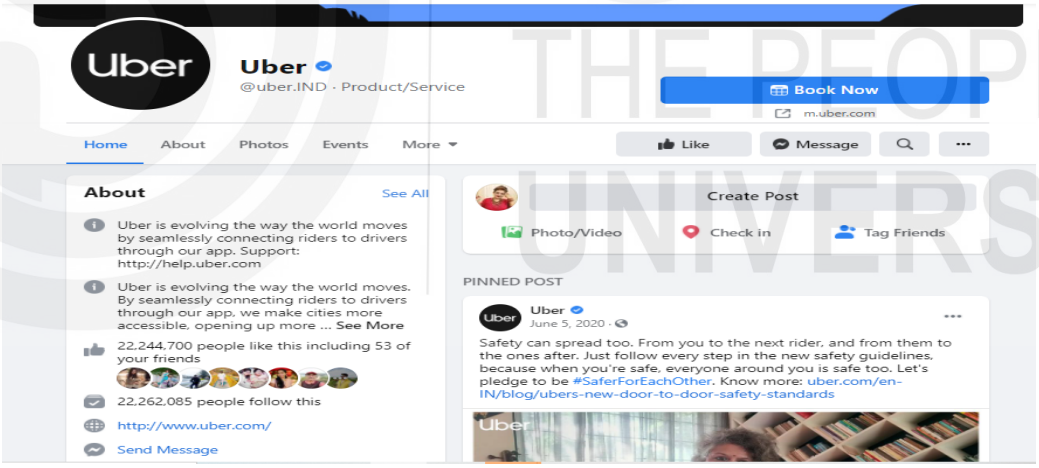
4. Social Media Marketing (SMM)

Social Media Marketing is the process of marketing through platforms such as Facebook, Instagram, Twitter, LinkedIn etc. Businesses require investing in the social media marketing so as to increase their following and also to reach new potential customers.

Type of business defines the type of social media engagement. For example, Facebook works well for B2C, but for B2B type of businesses LinkedIn works better.

Social media platforms mainly use the 'like' campaigns and targeted advertisements. The major goal of the social media pages is to continually engage and grow their social media following. For example, Facebook collects and shares the data about the individual's likes and interests, in addition, to their personal factors such as age, gender, location etc., with the brands. The sharing of this information enables the brands to design and create targeted advertisements. SMM can be used both a long-term and a short-term business needs.

Below given are a few Social media advertisements.


Uber
Uber
@uber.IND · Product/Service
Book Now
m.uber.com
Home
About
Photos
Events
More
Like
Message
About
See All
Uber is evolving the way the world moves by seamlessly connecting riders to drivers through our app. Support: http://help.uber.com
Uber is evolving the way the world moves. By seamlessly connecting riders to drivers through our app, we make cities more accessible, opening up more ... See More
22,244,700 people like this including 53 of your friends
22,262,085 people follow this
http://www.uber.com/
Send Message
Create Post
Photo/Video
Check in
Tag Friends
PINNED POST
Uber
June 5, 2020 ·
Safety can spread too. From you to the next rider, and from them to the ones after. Just follow every step in the new safety guidelines, because when you're safe, everyone around you is safe too. Let's pledge to be #SaferForEachOther. Know more: uber.com/en-IN/blog/ubers-new-door-to-door-safety-standards

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With the right term insurance cover you can ensure that your family does not have to compromise on their lifestyle, in case of any uncertainty. ICICI Pru iProtect Smart, our term insurance plan does not just provide complete protection to your loved ones but also comes with a range of add on benefits like a cover for you to secure yourself financially from 34 life threatening illnesses like breast & cervical cancer.
icicliprulife.com
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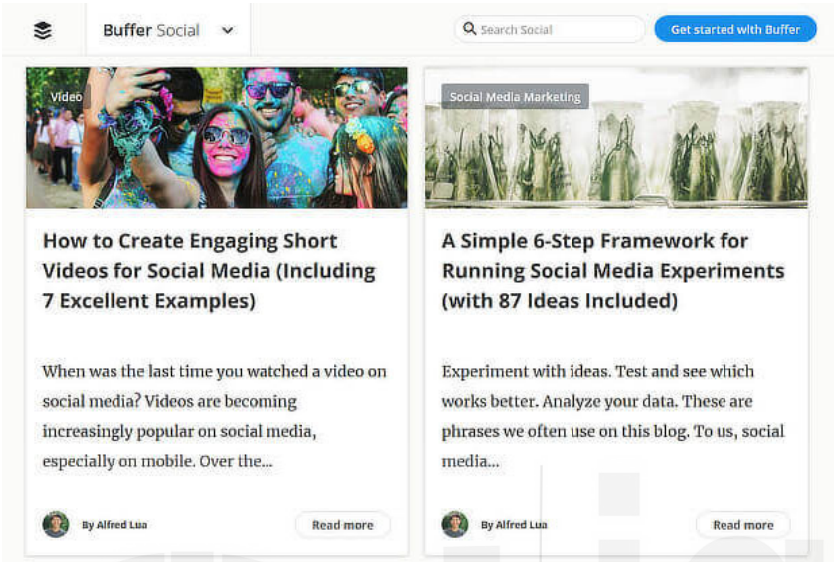
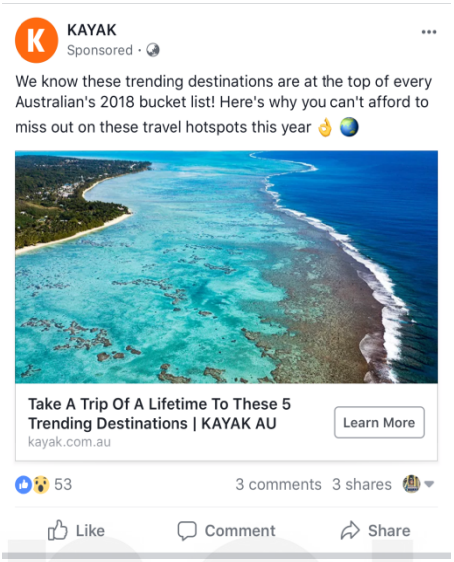
5. Content Marketing

Content marketing is a slightly different from the other types of marketing. It doesn't directly market or sell the products, services or brands to the customers. It rather creates a valuable and enriching content that improves the customer's overall experience. It can be observed that some of the biggest brands worldwide enthusiastically create and post entertaining and informative - images, videos and blogs related to their businesses. It's like promoting a brand without aiming to sell anything – it is simply providing news and information, which is engaging and enriching.

By posting images, videos and blogs, the brands thus, build loyalty among the consumers who visit the website/page for its content. For example, the brand Canon sharing informative and entertaining content about photography tricks or show beautiful sunset photographs from world over. Content marketing is about listening and understanding your customer's need and producing content they want and value. Content marketing is a long-term investment, like the SEO, and you need to work on it constantly to get better results.

Below given are few examples of Content marketing.


Buffer Social
Search Social
Get started with Buffer
Video
Social Media Marketing
How to Create Engaging Short Videos for Social Media (Including 7 Excellent Examples)
When was the last time you watched a video on social media? Videos are becoming increasingly popular on social media, especially on mobile. Over the...
By Alfred Lua
Read more
A Simple 6-Step Framework for Running Social Media Experiments (with 87 Ideas Included)
Experiment with ideas. Test and see which works better. Analyze your data. These are phrases we often use on this blog. To us, social media...
By Alfred Lua
Read more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We know these trending destinations are at the top of every Australian's 2018 bucket list! Here's why you can't afford to miss out on these travel hotspots this year
Take A Trip Of A Lifetime To These 5 Trending Destinations | KAYAK AU
kayak.com.au
Learn More
53
3 comments 3 shares
Like
Comment
Share

6. Email Marketing

It's a method of direct marketing where blogs, information, discounts and offers etc. are shared directly on the mail. Email marketing is tricky, because though the email reaches the inbox it needs to be eye-catchy so as to be read. Sometimes, sending unsolicited emails may also land the brand in the spam box. It is a very nice way of reaching out to the customers, post purchase interaction or mailing the newsletters. It is generally considered a short-term technique, but it can be used for long-term too. For example, sending exclusive discount codes for a small duration is a short term solution to boost sales. Sending blogs and newsletters, to boost website traffic, is a long-term use.

7. Influencer / Affiliate Marketing

It usually uses individuals in position of 'power' or having large followers, on social media. Influencers assist the brands in promoting a service or a product to their audience. This mechanism has become very popular in the recent years, due to sites such as YouTube and Instagram, where brands engage a famous influencer, to end orseand market their services or products on their social media handles or affiliate websites. These associations include, prize draws, sponsored blog posts, unique discount codes etc. Influencer marketing and Affiliate

marketing can be used as a short-term campaign, to enable more volume of sales or increased traffic on the website.

FitTea
28 Day Detox
kyliejenner
Following
775k likes
24w
kyliejenner #ad using @fittea before my shoots is my favorite ☺
view all 37,063 comments
hala_aldisi خلف زون
hala_aldisi @shahdoo16 انا
_maittha @fares_12314
noahgalloway1983 Write this on 7 posts or your mom will die tomorrow.
noahgalloway1983 This is not fake write this in 15 pictures and you will be missed tomorrow. Break this chain and you will see a demon in 53 minutes
kumru_xxlx @halawiteten
sydneyjordan24 If you stop reading this you might die my name is Teresa fildago if you don't post this on 20 photos I will sleep with you forever one girl ignored this and 29 days later her mom died don't believe this Google it
Add a comment...
cristiano • Follow
Paid partnership with nikefootball
12h Reply
jomlesaz واقعا بعضي بقت ها جمله ها جفلر تاثير داونة ...
7h Reply
avazkhon49
7h Reply
za_sulelmana_karimova_111
5h Reply
mostafahhy
2h Reply
Liked by sgrech97 and 5,240,993 others
MARCH 29
Add a comment...
Post

8. Viral Marketing

The aim is to create content pictures/videos/posts share-worthy – by making it on trend, funny and topical. Many brands use these as a smart means of promotion and advertising, by joining hands with popular viral content creators, influencers or promote it themselves.

This kind of promotion works successfully for B2C brands. It is by far one of the toughest types of Digital Marketing and is advisable to research which ideas succeeded or failed in the past. Once brand's content goes viral it not only increases the ROI, but also results in increase in brand awareness. For example:

9. Radio Advertising

Radio advertising is one of the forms of Digital Marketing. Radio advertisements are a wonderful way to get a brand or a business heard. Radio advertisements can be designed for targeted consumers at different locations; it can either be at National or at Local levels. Apps such as Spotify, Ganna play advertisements to the non-premium users. These advertisements can be targeted based on demographic details such as the age, gender, location and much more – as the users information is shared with the brands.

10.Television Advertising

TV advertising is also counted as Digital Marketing. The social division and digital shift of TV advertising, offer huge options. Brands that want to advertise their products or services on TV without paying for costly prime-time slots can opt for it.

Marketers use this channel by linking personal data of the consumer with new delivery approaches such as - addressable ads, localization of ads, cross-channel marketing campaigns (when a consumer watches an ad on TV, the same would be displayed on digital devices reinforcing the ad's message.)

TV adverts remain as a chief component of the marketing mix of a brand. It is important to make and adapt strategies depending on the demographics and geography of the audience.

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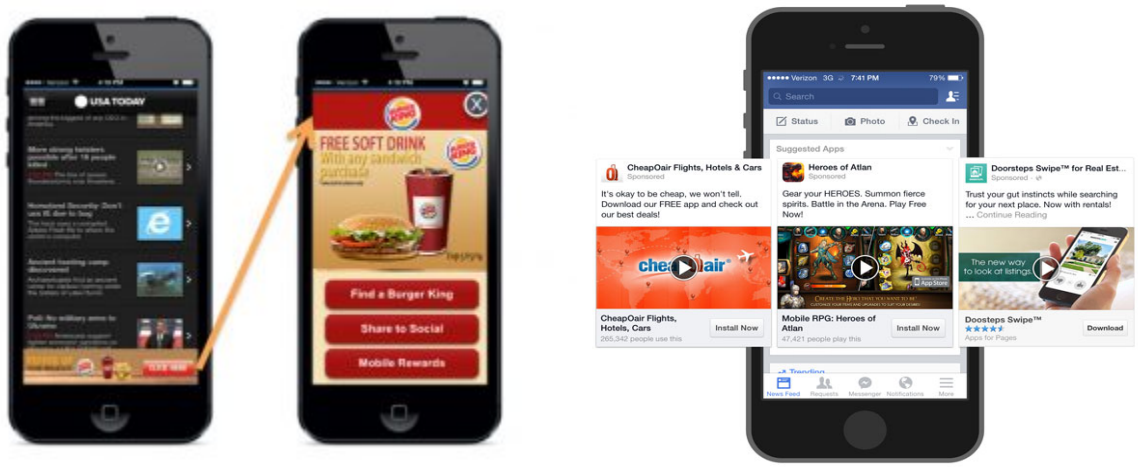
Like the movie?
Watch it in full screen @ Rs.30, press now
Ethir Neechal and more HIT Tamil Movies
T&C, chargeable at Rs.35 per month thereafter, at a lock-in of 30 days
airtel

11.Mobile Advertising

Mobile advertising spans across all forms of digital marketing, whether it is social media ads, search ads, mobile TV ads or Radio ads. Businesses all over the world are moving towards mobile advertising as consumers spend most of their time on their mobiles than any other devices. Brands can target mobile users by applying geo-fencing.

One of the most prevalent strategies in the recent times is Geo-fencing - based on a consumer's physical location. It is a laser-focused strategy used by brands to clearly target a defined and appropriate audience.


USA TODAY
FREE SOFT DRINK
With any sandwich purchase
Find a Burger King
Share to Social
Mobile Rewards
Verizon 3G 7:41 PM 79%
Search
Status
Photo
Check In
Suggested Apps
CheapOair Flights, Hotels & Cars
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14.10 FUTURE AND GROWTH OF DIGITAL MARKETING

Digital Marketing is an evergreen industry where the only constant is 'change'. Marketers and entrepreneurs need to understand it. The following are a few emerging Digital Marketing trends to look forward to with specific emphasis on the marketing channels:

... Advanced Chatbots

As artificial intelligence (AI) develops, the Chatbots will be more useful for both – the customer support tools and the marketing channels. In the past, Chatbots were considered as annoying, inauthentic and disruptive; but with improvement in AI and machine learning, Chatbots now offer helpful solutions specific to users' individual needs. For example, Facebook data finds that 56% of shoppers would rather send instant messages than to make a call to a support line. Chatbot is the best way to deliver instant answers to prospects and customers, allowing the brands to ascertain their sales.

... Shoppable Social Posts

Shoppable posts are still new to Instagram; however, they have already proven to be highly effective in generating conversions. For example, the latest data from Instagram states that 130 million users tap on Shoppable ads every month. E-commerce brands worldwide can capitalize on this opportunity of running Shoppable advertisements.

... Optimize for Voice Search

In a recent survey the Search Engine Watch found that 27% of global internet users utilize voice search on mobile devices. As more households tend to adopt the IoT (Internet of Things) technologies like smart speakers and personal assistants, this percentage of users is expected to rise in the years ahead. The regular SEO don't offer the same results as voice-activated SEO. In order to optimize the voice-activated SEO, brands need to focus on ranking of the 'long-tail' keywords, utilizing the FAQ section, and practice SEO optimization for the mobile devices.

... The Rise of Micro-influencer Marketing

Influencer marketing is still in its infancy, yet it offers a great ROI compared to more traditional advertising channels. As consumers continue to value 'individual recommendations', it makes more sense to invest in "micro-influencers". The Micro-influencers are social media users who have a much smaller but dedicated following. They can deliver truly authentic marketing messages to their trusting audience. Influencers' power is measured by their personal relationships with each individual follower, rather than the sheer number of followers.

... Affordable

Comparing it with other marketing platforms, Digital Marketing is one of the most affordable media to promote the product. With digital media, it has become very easy. For example, if you are a real estate company, you can promote your new project on social media by reaching thousands of people at one time. Creating an ad on Facebook hardly costs around ₹40 per day, which is not expensive. The average cost per click is ₹0.52 to ₹2.3. Spending lakhs of rupees on a single ad and spending just ₹40 per day can yield good results.

Many industries and new start-ups, are all heavily investing in the digital marketing activities. They are looking for people who can devise and implement digital marketing strategies that suit their needs.

... Interactive Content

The fastest-growing trend in recent times is Interactive Content. In 2021, it is expected that shift from traditional text-based content toward dynamic, engaging content that offers users an immersive experience. For example, embedded calculators, polls and quizzes, 360-degree videos, augmented reality ads, to name a few. People like interactive content, not only because it is original and fresh, but also because it makes customers feel more connected to the brand and more involved in their purchasing process. Such contents are more engaging, more memorable and more likely to produce the results based on the needs of the business.

... Growth of Geo-Fencing

The idea of marketing services, products or brands to the customers based on their location is not new. However, this market of geo-fencing by 2023 is expected to increase to about $2.4 billion, along with the increase in the mobile usage.

Geo-fencing permits real-time targeting, using the location details of the users. For example, the target area to market is defined as, say, within a 5 Kms of a Resto-bar. Whenever a user enters or leaves this 5 Kms area, the user receives a text message, a push notification or another form of marketing communication. Researches done in the past have shown that people often open a push notification on their mobiles - 54% of the users get 'converted' from the segmented push notifications, as compared to 15% only from the broadcast messages. Research also shows that 52% of the mobile users enable the 'push notification' on their mobiles. Geo-fencing becomes an extremely important and vital strategy for businesses and industries that need to convert digital users into 'brick-and-mortar' customers.

14.11 SUMMARY

In this unit, we have described and presented some of the most widely and effectively used Digital Marketing strategies. These strategies as and when adapted, can help any brand and organization to scale up to have an active and effective online presence.

We also learnt about some techniques to target the right audience and to encourage them to remain loyal to the organization and brands. For example, let us make a Digital Marketing plan summarizing what we have learnt so far.

14.12 SELF-ASSESSMENT QUESTIONS

1. Distinguish between Traditional Marketing and Digital Marketing.
2. Explain the main benefits that a company selling fast-moving consumer goods could derive by using Digital Marketing. Substantiate giving examples.
3. What is the relevance of 'Geo-fencing' to marketing? Substantiate giving examples.
4. Explain how Digital Marketing can be used to increase market penetration in the existing markets and to develop new markets. Give examples for the same.
5. Assume you are the marketing manager of a large real estate company, with branches in several Tier - 1 cities in India, suggest and discuss the HOW and WHY of different digital marketing strategies to reach your target audience.

14.13 KEY-WORDS

- **CPC or Cost per Click:** The amount a business or advertiser is paying per one click on their ad.
- **Crawl or Crawling:** The process of scanning a website to discover new pages, updated pages, or removed or redirected pages. This is done by a Googlebot, or 'Spider,' either when a user uses a search engine, or when an advertiser is indexing (see: Index) a website from the backend.
- **Display Advertising:** A type of online marketing that uses images or video to communicate their ad, rather than text-based advertising. Display advertising is used across platforms like Google AdWords, AdRoll, Facebook, Instagram, and more.
- **Google AdWords:** Google's pay-per-click (PPC) advertising platform. AdWords allows you to build, manage, and optimize campaigns, ad groups, ads, and keywords within a single account.

- **Influencer Marketing:** A marketing strategy that involves identifying and engaging with influencers and their audiences in an effort to increase brand awareness, brand-audience engagement, and sales.
- **Keyword:** In Search Engine Optimization, it is a word or set of words that help make up a site's metadata and describes what is on a web page. When used correctly, a keyword should help users find a web page based on their search terms.
- **Search Engine:** A software or platform that searches the Internet based on user queries. The search engine will then present the found information in the form of a search engine results page (SERP).
- **SEM or Search Engine Marketing:** A form of PPC marketing that targets users' search engine results in the form of relevant ads and results.
- **SEO or Search Engine Optimization:** Incorporating factors such as keywords, good copy, and back links in order to drive traffic and affect the visibility of a site organically. This is done by optimizing the content of a web page and increasing its relevance to certain keywords. By doing so, the website is more likely to show when a user searches for the targeted keywords.
- **SERP or Search Engine Results Page**: The resulting list a user receives after typing in a search query in a search engine. It may be a mix of ads and organic search results.
- **Website:** An address on the Internet made up of a collection of web pages that are connected to one another in order to host information and data.

14.14 FURTHER READINGS

- Digital Marketing (6th Edition) by Dave Chaffey, Fiona Ellis-Chadwick, Publisher: Pearson.
- Principles of Internet Marketing - New Tools and Methods for Web Developers, Jason I. Miletsky, Course Technology, Cengage Learning.

UNIT 15: OTHER EMERGING ISSUES IN MARKETING

Objectives

After studying this unit you should be able to:

- understand the unique characteristics and changing dynamics of services marketing
- discuss the concept, benefits and strategies of digital marketing
- appreciate the evolution and relevance of rural marketing
- understand the need and importance of green marketing
- define customer relationship management
- introduce the concept of online behavior advertising
- develop an understanding of new concepts like sensory marketing, online behaviour advertising, Direct to Consumer (D2C) and Consumer to Consumer (C2C) Marketing

Structure

15.1 Introduction

15.2 Changing Landscape of Services Marketing

15.2.1 Concept of Services

15.2.2 Differentiating Services from Physical goods

15.2.3 Marketing Strategy for Services: The Extended Marketing Mix

15.2. 4 Technology Interventions and Service Delivery

15.3 Digital Marketing

15.3.1 Introduction to Digital Marketing

15.3.2 The advantages of digital marketing

15.3.3 An overview of some Digital Marketing Strategies

15.4 Rural Marketing evolution, relevance and trends

15.4.1 Importance of Rural Market in India

15.4.2 Nature of Rural Marketing transactions

15.4.3 Challenges faced in rural marketing

15.4.4 Marketing challenges and Rural Marketing Strategies

15.5 Green Marketing

15.5.1 Meaning and Importance

15.5.2 Green Marketing Mix

15.5.3 Problems Associated with Green Marketing

15.6 Relationship Marketing

15.6.1 Elements of Relationship Marketing

15.6.2 Role of Sales Force in Relationship Marketing
15.6.3 Relationship Marketing in Direct Marketing
15.6.4 Relationship Marketing in Retailing
15.6.5 Concept of Customer Relationship Management (CRM)
15.6.6 Advantages of CRM
15.7 Overview of some latest marketing trends
15.7.1 Sensory Marketing
15.7.2 Online Behavior Advertising
15.7.3 Consumer to Consumer (C2C) Marketing
15.7.4 Direct to Consumer (D2C) Marketing
15.8 Summary
15.9 Key words
15.10 Self-Assessment Questions
15.11 Further Readings
15.12 References

15.1 INTRODUCTION

Note: *Dear Student Dear you will find that Unit 13 and Unit 14 are briefly touched upon once again in Unit 15. The rationale is to be in line with the title of the block and hence they are being discussed from a different perspective.*

We are all familiar with the term "Technology" in some form or the other either by using a smart phone, riding a bike, driving a car or may be watching an action movie in a multiplex. In all these situations we are knowingly or unknowingly being exposed to different kinds of technologies and their adoption and as customers and end users we are adapting these technologies to our convenience to satisfy the inherent needs and desires. Therefore, technology can include a highly sophisticated mother computer, artificial intelligence, a robot or even simple tools like hammer and wheels. In a nut shell, Technology is the application of scientific knowledge to achieve practical ends.

Technology is centuries old in its existence and with passage of time it continues to advance in precision and sophistication and expanding into newer fields or sectors of an economy.

Now let's look at the technological ecosystem of the 21stcentaury which is characterised by new age technological innovations and development which has led to the dawn of the new

economy. As with other components of economy and society, the marketing landscape too has evolved drastically during the last couple of decades.

The marketing era that started during 1950s had placed the customer at the focal point and paved the way for the relationship marketing in the 1990s where customer attraction and customer retention were the core objectives. Thus the perspective and strategies so evolved led into the era of digital marketing era in the early 2000s. Today's cutting-edge marketing combines the best of traditional as well as digital channels to market products and services. The rise in income, and increased buying power of new emerging consumers coupled with technological innovations has replaced the old standardization, in product and services, and given way to customization that was unheard in the past.

Purchase process and experience too has drastically changed with the advent of online shopping, which has made buying and selling a 24 hours business with ease of on-door delivery. This 24x7 commerce has exponentially increased the direct interaction between the marketers and consumers. Loaded with the data of how consumers interact and behave online, marketers are able to customize their offering further, be it the most sought-after colour or most preferred payment mode. New avenues of personalisation are made possible only through behavioural targeting. This level of personalisation, thoroughly enjoyed by consumers, also increases customers' privacy concerns.

Technology has also affected the services sector in an unprecedented manner. With increased and easy availability of information, companies are now better placed to design more efficient marketing strategies across consumer and distribution channel. All these newer avenues bring forth numerous challenges as well, sustainability and green concerns has also caught attention of marketers and consumers alike.

In this unit we shall discuss major emerging issues in marketing in the 21st century like digital marketing, and green marketing. An overview of relationship marketing and to understand the concept and importance of customer relationship management will also be talked. Some key insights will be discussed into the unique treatment that marketing of services require. The growing importance and dynamics of rural marketing and its challenge is also being covered. We conclude the unit by sharing the latest of marketing trends like sensory marketing, C2C and D2C respectively.

15.2 CHANGING LANDSCAPE OF SERVICES MARKETING

Let us first understand what comprises of service sector and why is it considered so important for any economy. The broad spectrum of activities covered under services sector include hospitality sector, banking and financial services, insurance, transport and communication, real estate, healthcare, community, social and personal services etc. The services sector is one of the major contributors to country's economic growth. It not only attracts substantial foreign investment, contributes significantly to export but also provides huge employment avenues. Figure 1. Represents some of the prominent brands of services in India.

Figure 1: Overview of services brands

15.2.1 Concept of Services

"A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product". Kotler, 2004

Service consumption is an inherent part of our daily lives. All of us avail a range of services every day on a routine basis like using internet, talking on phone, using metro and cab services to reach our colleges and place of work, withdrawing money from ATM/banks, eating out at restaurants to ordering food online. This service consumption may range from

routine low involvement decision making (that does not require too much money or risk) to high involvement (that requires a lot of money and risk) for example choosing a University for higher education, medical and healthcare services, banking and investment, planning a luxury cruise etc.

Activity 1

Try to note down any eight services availed by you today from the time you woke up till the time you sleep!

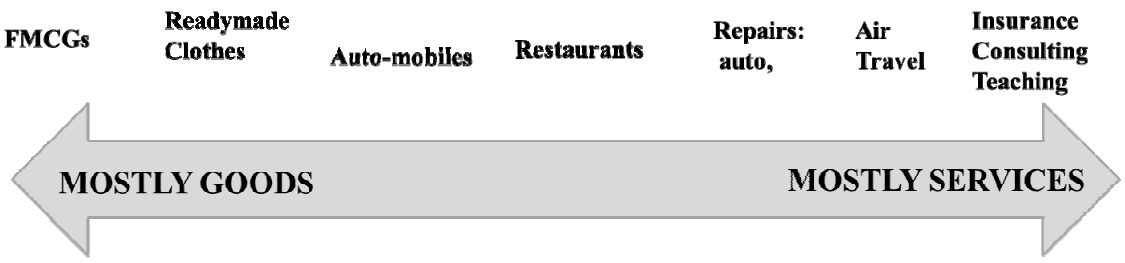
S.No.	Service Used	Service Provider (Brand)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		

15.2.2 Differentiating Services from Physical goods

"There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service." Theodore Levitt

If you recall a product is anything that has a value for consumer and can fulfill his/her needs. This product can be in the form of a physical good (FMCGs, Electronic items, Apparel, automobiles etc.) or in the form of intangible services (banking, tourism, academic and healthcare etc.). All the products are comprised of both the tangible and intangible elements. If we try to place these tangible and intangible elements at two extreme ends of a goods service continuum (refer figure 2) we will observe that most of the goods and services do not fall on extreme ends but come as combination of both the elements that are distinct and discrete.

Figure 2



Categories of Service Mix

i. **Pure tangible good**: The offering includes tangible goods which do not require any added services eg. FMCGs like soap, toothpaste, confectionary items etc.

ii. **Tangible good with accompanying services**: Offerings include tangible products accompanied by few services like installation, maintenance and after sale services eg. Automobiles, electronic gadgets etc.

iii. **Hybrid**: As the name suggests in these offerings both the components (physical good as well as intangible service) are equally important e.g. restaurants, hotels etc.

iv. **Major service with accompanying minor goods**: offering is predominantly intangible service which may be accompanied by some physical goods eg. Airline services

v. **Pure services**: Primarily includes the service component without any associated tangible good eg. Consultancy, Insurance, psychotherapy etc.

Activity 2

Think of different physical goods or services that come under the different categories of service mix. Also provide the name of the brand that comes to your mind.

S.No.	Category of Service Mix	Goods/services	Brand
1.	**Pure tangible good**		
2.	**Tangible good with accompanying services**		
3.	**Hybrid**		
4.	**Major service**		
5.	**Pure Service**		

15.2.3 Marketing Strategy for Services: The Extended Marketing Mix

The marketing mix of goods includes the 4 Ps namely, product strategy, price strategy, promotion strategy and place strategy. There are certain unique characteristics of services that require a separate treatment in terms of marketing strategy. These characteristics are:

i. **Intangibility** – Services do not have a physical form, you cannot see, taste, smell or feel the services beforehand and hence it is difficult to sample and evaluate them. For example, how could you sample a hair transplant or a Luxury cruise?

ii. **Inseparability** – Services are produced and consumed simultaneously which means that the service provision and consumption happens simultaneously. It is also difficult to separate the service delivery from the service provider. Can you think of treatment without a doctor? a barber, plumber construction worker etc.

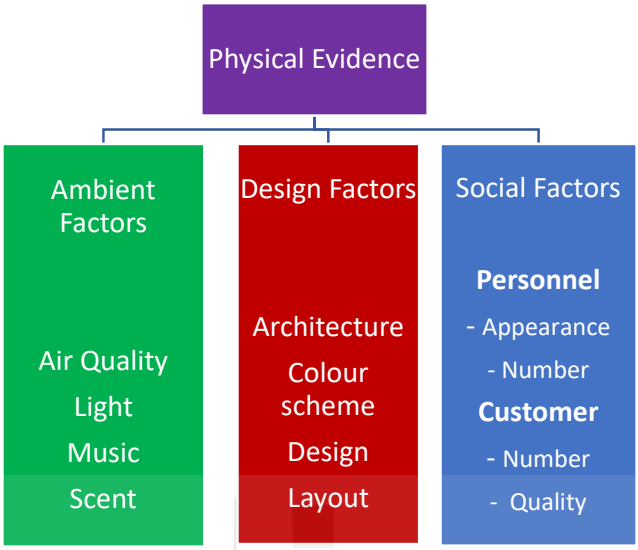
iii. **Perishability –** Services do not have a shelf life. They cannot be saved or stored for later consumption.

iv. **Variability** - As humans beings/personnel are inherent part of service delivery and while performing a certain service inconsistency is bound to occur which is inherent in-service provision. The service provision is also very specific to the customer who is being served.

In the light of the above-mentioned unique characteristics of services it was observed that the traditional marketing of 4 Ps was inadequate. Hence additional 3 Ps were added to the mix namely physical evidence, people and process respectively.

Physical Evidence: Evidence of service quality through the tangible cues like the ambient, design and social elements at the service facility. Service quality is demonstrated through proper designing of place, people, equipment, communication material, symbols etc. Most service providers try to include certain tangible elements into their service offering to augment customer experience. For example, when you visit a beauty parlor or a doctor's clinic, you will find well designed waiting areas, often with stacks of magazines and luxurious sofas to read and relax while waiting. Similarly, restaurants also put in a lot of thought and money in designing their interiors to create a quality perception and memorable experience to their guests.

Figure 3: Components of Physical Evidence



People/Personnel: Personnel are the inherent part of service delivery and the face of the company for the consumers. Think of any service be it restaurant, bank or even departmental stores, all of them are known not only for their tangible offerings but also the service provided by its staff. Personnel perform not only the operational but also marketing related roles. For example, you must have had an experience in beauty salon that the personnel not only provide you the requested service (operational role) but also tries to suggest different packages available (marketing role of cross selling).

Process: Refers to methods and procedures used to deliver the service to the consumer. The process may include:

- Service personnel coming to the consumer to provide service eg. Urban Company sending personnel to provide a variety of services like parlor services, mechanics, cleaners, drivers, painters and a host of other similar service providers.
- Consumer going to the service facility to avail the service eg. Restaurants, medical services, tax consultants etc.
- Services delivered through mediums like internet, telephone, for example online banking, online stock broking, online air and rail tickets etc.

Depending upon the nature, duration and frequency of service encounters the services can be further classified into two viz:

i. **High Contact Services:**

These services involve personal visit of the customer to the service facility, active involvement with the service organization and its personnel during service delivery. Medical and hospital services, restaurant and hotel services etc.

ii. **Low Contact Services:**

These services require minimum physical contact between the customer and service providers. Service provider and the consumer communicate through mediums like mail, telephone and internet etc.

Activity 3

Visit a few cafes/restaurants and carefully study and compare the following components of the physical evidence:

i) Colour such scheme of interiors
……..……..

ii) Music played
…….....

iii) Scent used
…….....

iv) Furniture/seating arrangement
……

v) Uniform of personnel
……....

vi) Exteriors
……

15.2.4 Role of Technology Interventions on Service Delivery

With the advent and use of new technology although the broad service category or need remains constant the product form has altered, for example.

- Traditional cinema halls are replaced by Multiplexes, but they still fulfill the need for entertainment
- Traditional banking services are being replaced by online banking, ATM, Debit and Credit cards etc.

Though there are cases where technology has drastically altered or a decline is observed in certain category of services, for example Internet surpassing traditional postal services which was hitherto a high contact service delivery model.

With the onset of technology and far-reaching impact of technology interventions in general and information technology (IT enabled services) in particular, the whole platform and interface of service encounters and service delivery has undergone a sea change. Many of the service offerings which were categorized under high contact services like banking, commerce (retailing), restaurants, academics (teaching and learning process from K G – P G) etc. are now delivered through a low contact format eg. Online banking, ATMs, online shopping, online food delivery services, online education/learning etc. This transition along with the innumerable benefits compels the marketers with newer challenges differentiation, process management to nurture and monitor on a continuous basis.

Activity 4

List down any five of the services in which you switched from a high contact to a low contact format with the use of information technology (internet) and provide the service providers name:

S.No.	Service Availed	Service Provider
1.		
2.		
3.		
4.		
5.		

15.3 DIGITAL MARKETING

One of the many challenges faced by every business today is to catch the customers' attention. Marketing has assumed an even more critical role in not only attracting, engaging but also retaining the customers. With the entry of large number of big and small players, the domestic as well as global markets are becoming saturated. This saturation has led the marketers into exploring and using newer platforms for reaching out to the customers. Internet has emerged as an efficient way to reach and attract a larger number of tech savvy consumer base.

People usually get confused between Marketing and Digital Marketing. So, prior to moving ahead let's get this confusion be cleared in the minds of the people. Digital marketing is not different from marketing. The principles and significance of marketing remains the same. Digital marketing is just one of the many different marketing mediums and platforms.

15.3.1 Introduction to Digital Marketing

Digital marketing is a broad term that describes all the marketing activities to promote a given product or service using any form of digital channels and requires the use of an electronic device such as a smart phone; laptop, a P C etc. It includes all the platforms from Television ads, digital billboards, to social media. Digital marketing communication is not limited to the internet only.

Internet marketing, as the name suggests refers to any marketing activity that requires internet to connect with the audience. It is a subset of digital marketing. The whole focus of Internet marketing is to build online presence for the product or service being marketed. With the advent of internet, this mode of marketing becomes critical for companies to connect, engage and retain its customers.

The following comparative table will make it easier to understand the difference between the two:

Marketing Strategy	**Digital Marketing**	**Internet Marketing**
Email Marketing	✓	✓
Social Media Marketing	✓	✓
Web Design	✓	✓
Pay per click advertising	✓	✓
Search Engine optimization	✓	✓
TV advertisements	✓	x
SMS Alerts	✓	x
Digital Billboards	✓	x

Rise of Digital Marketing is accelerated by the increase in Smartphone and internet usage. People, now a days, prefer talking and meeting people online rather than in person. Due to this shift in human nature and psychology, our ever-innovative marketers came up with newer ways to connect with people, and that is, online – over the web or internet.

15.3. The advantages of digital marketing:

i. **Universal reach** – Allows all marketers whether small or large to reach new markets and carry out their business globally

ii. **Cost Effectiveness**- Digital marketing provides a more targeted and lower cost option of reaching the right customer

iii. **Results are easier to measure and track** – with the help of various sophisticated web analytics tools companies can measure the effectiveness of their websites and promotional campaigns.

iv. **High level of customization** and personalization by making use of the customer database which is usually linked with the company's website. This database helps the company to profile their customers more effectively and position their offerings to well identified segments.

v. **Improved conversion rates** – Presence of a website makes the whole process of purchase very easy and simple. It requires lesser efforts on the part of consumer as compared to the traditional methods of shopping.

15.3.3 An overview of some Digital Marketing Strategies:

i) Email Marketing

Engaging the consumers by sending the promotional content and advertisement through emails is termed as email marketing. Businesses usually maintain email directories for email marketing. It provides information and spreads awareness about the offerings (product or service) of the organization. It is the most subtle way to initiate conversation with your prospects.

ii) Search Engine Optimization

Search engine optimization, in short known as SEO, is the process or procedure to make the content of our website efficient with respect to the keywords that are entered by the users in the form of search queries in search engine. Keywords are at the heart of SEO. Keywords vary with niche you are operating in. Based on the ethical practices, SEO can be performed in three different ways, namely, White Hat SEO, Grey Hat SEO and lastly Black Hat SEO.

SEO is majorly responsible for getting our website or a webpage ranked on top of Search Engine Result Page (SERP).

iii) Social Media Marketing

The term seems quite self-explanatory as it includes social media in it. No doubt, this area of Digital Marketing is gaining a lot of attention and popularity, as most of the youth and college going population is heavy users of social media platforms. And therefore, this is the most favorite and liked media channel by people because they are in touch with this tool.

Social media marketing refers to connecting with people, sharing or exchanging information, promoting our offerings and creating awareness about our existence over the social media platforms. Most used social media platforms are Facebook, Instagram, LinkedIn, Pinterest, Twitter, Quora, and so on, the list is quite long and unending.

So, organizations use these platforms, the most, to stay in touch with the people, as more than half the entire population of earth is online right now while you are reading this.

iv) Facebook Ad

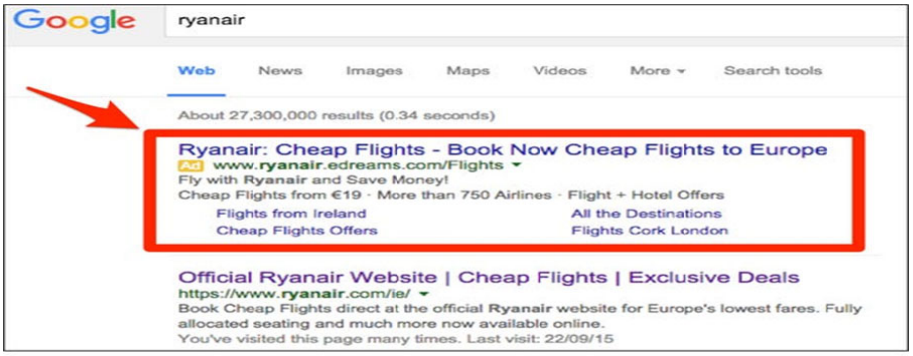
Facebook has a vast user base. It does not only provide platform for people to connect but also aid organizations to promote their offerings. It provides advertisement services as well, and advertising on Facebook is the most economical of all the options available. And it's not only economical but also the effective and efficient one, the one that fetches you good results. Facebook help companies/businesses to find themselves their customers/audience.

v) Google Ad

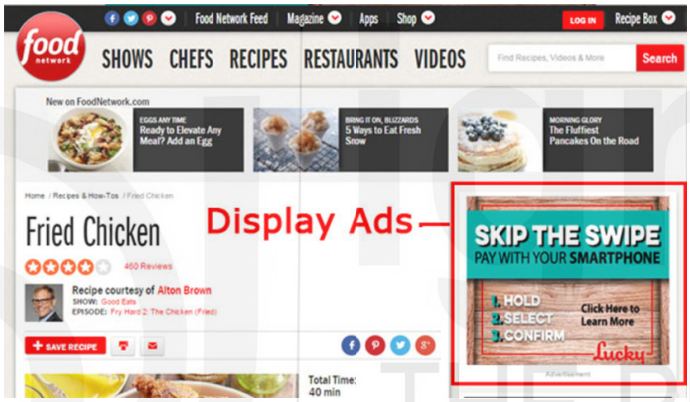
This is the advertising services offered by Google. On an average Google receives more than 3.5 billion search queries on a daily basis (Bond, C.2020). Of course, they are all of different niche. Google offers different formats of ads, like, Search ads, Display ads, and Video ads.

Let's take look at how these formats look like

a) **Search ad**


Google
ryanair
Web
News
Images
Maps
Videos
More
Search tools
About 27,300,000 results (0.34 seconds)
Ryanair: Cheap Flights - Book Now Cheap Flights to Europe
Ad www.ryanair.edreams.com/Flights
Fly with Ryanair and Save Money!
Cheap Flights from €19 · More than 750 Airlines · Flight + Hotel Offers
Flights from Ireland
All the Destinations
Cheap Flights Offers
Flights Cork London
Official Ryanair Website | Cheap Flights | Exclusive Deals
https://www.ryanair.com/ie/
Book Cheap Flights direct at the official Ryanair website for Europe's lowest fares. Fully allocated seating and much more now available online.
You've visited this page many times. Last visit: 22/09/15

b) **Display ad**



c) **Video ad**

vi) Web Analytics

Just running an ad campaign or a website is not enough. One must be well aware of the performance of its website and ads. And therefore, to help businesses measure their performance, analytics tool is provided to them by the platform owner. For example, to track and check the performance of your ad campaigns over Google, Google provides Google Analytics. Similarly, how your ads are doing on Facebook can be tracked via stats provided by Facebook Ad Manager.

Analytics gives us a fair and clear picture about whether our efforts, time and money are gelling up well and heading right direction or not. And therefore, Web analytics is one of the major areas of Digital Marketing that is to be taken care of.

vii) Search Engine Marketing

Search engine marketing promotes website's visibility in the search result of the search engine. It is of two types – firstly Paid advertising and secondly, the free one, Search engine optimization (SEO) we have already seen earlier, so, let's have a look at the paid forms. There are different forms of paid advertising solutions that include

a) Pay Per Click (PPC) – where the advertiser only has to pay when his/her ad is clicked upon by the user
b) Cost Per Thousand Impression (CPM) – in this advertiser is charged on the basis of number of times the ads is shown for the concerned query
c) Cost Per Acquisition/ Cost per Customer – it analyses the cost incurred for acquiring a single customer.

Activity 5

Answer the following

a) Digital marketing is often referred to as_____.

   i) online marketing
   ii) internet marketing
   iii) web marketing
   iv) All of the above

b) Which of the following is a type of digital marketing activity?

i) Email marketing.
ii) Social media marketing.
iii) Web Analytics.
iv) All of the above

c) What is not true about digital marketing?
i) Digital marketing refers to marketing products or services using electronic devices.
ii) Digital marketing can be done online.
iii) Digital marketing cannot be done online.
iv) Digital marketing includes internet marketing.

d) Search page engine optimization refers to_____
i) Programming keywords into a website
ii) Each page of a website for design
iii) Number of links appearing in your website
iv) The number of search engine sites a website

15.4 RURAL MARKETING

15.4.1 Rural Market in India

With about 65.5% of population living in the villages (World Bank, 2020) and generating nearly half of the national income, the rural market has a very significant and critical place in the Indian marketing environment. The huge potential of this rural market along with the saturation in urban markets has caught the interest of all the companies big and small to explore and exploit the growing demand for all product categories and services offerings being offered by the businesses.

An Overview and Importance of Rural marketing

The underlying reasons for the growing importance given to rural marketing and the need for a suitable framework of marketing strategies for the rural market are diverse in nature. Firstly, the fact that not only a huge proportion of the population is residing in the villages but also their purchasing capacity is increasing. According to Indian Brand Equity Foundation

(2021), the rural FMCG market is expected to grow to US$ 220 billion by 2025. The rural markets are witnessing higher rate of growth in the FMCG sector as compared to their urban counterpart. Major players in the category of FMCG like Hindustan Unilever Limited (HUL), Nestle, Britannia, ITC, Marico etc are targeting the rural market in a big way. Rural segment is also seen as a very lucrative segment by the electronics and Smartphone companies thanks to the significant young population living in Rural India. This segment has higher brand awareness, evolving aspirations, internet access and affordability.

Secondly, the marketers have also realised that the characteristics and challenges of rural markets are very different from the urban markets. The needs mindset and behaviour of rural consumers is not like their urban counterparts, so in order to tap the huge rural potential marketers need to create innovative and creative solutions appealing to this section of rural buyers.

Rural consumer represents a very different and distinct socio-economic and lifestyle profile. The whole decision-making process adopted by a typical rural consumer right from need identification, information gathering, evaluation of alternatives, and impact of reference groups to the final purchase is unique and different. Marketers still do not have an adequate pool of knowledge to understand all facets of rural consumers and require having deeper insights into the buyer behaviour.

15.4.2 Nature of Rural Marketing Transactions

Initially rural marketing was synonymously used with agriculture marketing, but the spectrum of transactions and activities that come under rural marketing is much wider and deeper.

- Rural marketing involves marketing of rural agricultural products in urban markets. Agricultural produces included food grains and industrial inputs comprising of sugarcane, cotton and oilseeds etc.
- Rural transactions also include the sale of agricultural inputs like fertilizers, pesticides, high yield variety seeds, power tillers, threshers and harvesters etc. in the villages.
- Transaction of non-agricultural products produced by village industries and cottage industries like soaps, handicrafts, handloom textiles, paintings and heritage crafts etc. to the urban markets also comes under rural marketing.

- Rural marketing also involves goods and services produced and created in the villages and consumed locally within the village. These include products like pottery, local carpentry, hairdressing and tailoring etc.
- Today rural marketing transactions include sale and consumption of products and services of various organized player across the category of consumables (FMCGs), durables and services. From transactional marketing there is a move towards long term commitment and a holistic marketing approach for the rural markets. Rural markets witnessed a higher growth rate in the consumables as well as durables as compared to their urban counterpart.
- Big players like HUL with their initiatives like Project Shakti and ITC with its e-Chaupal are working for community mobilization, innovating distribution channels and brand activation. Organised retailing has also started, some of the popular examples are Chaupal Sagar, Hariyaali Kissan Bazaar etc. Companies also started CSR initiatives like ITCs Sunehra Kal.

15.4.3 Challenges in Rural Marketing

Rural market undoubtedly is one of the most attractive destinations for all the brands, but it is not free from challenges. This market is not only large, but also geographically scattered. The rural market is quite complex and cannot be considered as a homogenous segment because of the multiplicity of languages spoken, wide variations in the economic conditions and socio-cultural norms prevalent there. The major challenges in tapping this rural market are:

i. **Low per capita and seasonal income:** A considerable proportion of rural population is dependent on agriculture for their livelihood**.** This makes their employment seasonal in nature. The agricultural situation determines the rural demand. Therefore, the demand is not stable or regular in view of the inconsistencies of the climate and weather conditions prevailing at a given point of time. The per-capita income is also low in villages compared with urban areas.

ii. **Distribution bottlenecks:** Even today still many rural areas are not properly connected by proper road and railway transport. It is nearly impossible to reach some far-off villages. These logistic challenges often lead to high distribution cost.

iii. **Communication problems:** The communication infrastructure is still underdeveloped. There still exists low level of literacy and the presence of many

languages and dialects further complicates the whole communication process. Traditional media channels also are not that effective in reaching the wider rural audience.

iv. **Presence of fake and spurious brands:** Due to high level of illiteracy and lack of brand awareness the rural market is flooded with fake and spurious brands.

v. **Differing Buying behaviour:** Rural Consumers are very different from their urban counterpart. They believe in collective decision making and are deeply influenced by culture, customs and rituals. Many of the decisions and purchases still require social sanctions. A typical rural consumer faces different constraints and possesses different needs.

Activity 6

The rural environment poses a range of opportunities and challenges for the marketers. Explain with reference to:

a) Marketing of banking services (SBI)
……
……
……
……

b) Telecom (BSNL)
……
……
……
……

15.4.4 Marketing challenges and Rural Marketing Strategies

To enter and sustain in the rural market, companies and marketers have understood the need to rethink and redesign the whole marketing mix. The strategies designed for the urban markets will not yield the results in the rural scenario owing to huge economic, socio-cultural differences. The traditional marketing mix including the 4 Ps needs to be revisited and redesigned to match 4 Ps as viz. ***Product-Acceptability; Price-Affordability; Promotion-Awareness; Place-Accessibility.***

The above rephrased 4Ps of marketing mix elements for rural markets and their specific needs and wants and the proposed solutions and strategies is discussed below.

Product Strategy:

Challenge: While in the urban markets there is a demand for augmented and differentiated products, the rural market still operates at the basic level of product classification. The products are still at the introductory or early growth stage of PLC (Product life cycle). The rural consumers want a basic, durable and 'no-frills' product. They also lack proper exposure and awareness. The problem is further aggravated by the presence of fake and spurious products.

Solution: Product innovation as well as adaptation is required to meet the needs, habits and lifestyle of the rural consumer. In case of FMCGs there are a lot of product adaptations in terms pack sizing (small pack sizes and sachets) and variants e.g. Colgate toothpaste, chick shampoo, tiger biscuits etc came out with small packs and sachets for the rural market.

Let us see some of the very interesting product innovations:

- IFFCO Bazar, the e-commerce portal of Indian Farmers Fertiliser Cooperative (IFFCO), is available in 12 Indian languages and provides free home delivery across India.
- CEAT Specialty, a division of CEAT, launched its new range of farm tyres "Vardhan". Vardhan is designed to perform activities related to core farming.
- LG introduced LG Sampoorna Television which had an onscreen display in regional language. Acting on the marketing insight that rural households usually have larger family-size and that power cuts are very common in villages, LG came out with a washing machines with higher load capacity and memory backup so that the washing function may resume from where it was interrupted by the power cut!
- Micromax came up with Macromax Xli which promised a 30-day battery backup
- Philips Free Power Radio was designed in such a way that it required one minute winding instead of a battery.

Branding strategy

Rural population has a higher recall for colours, numbers, and symbols. Brand names incorporating these elements have a higher brand resonance and recall. Some of the examples of brands using these elements are:

Colours - Lal Dant Manjan, Lal Battery, and Brook Bond Red label

Numbers - Godrej No.1, 555, 502 Pataka, Brook Bond A1

Logos and Symbols – Ghari Detergent, Rath Vanaspati, Wagh Bakri, 3 Roses Tea, Katchua Chaap, Cycle Agarbatti

Price Strategy

Challenge: Majority of rural population has a seasonal nature of employment; the per capita income is generally low and many of the consumers are daily wagers.

Solution: Affordable pricing is one of the most important consideration Key point to remember is that the rural consumers want '**value for money'** products not **'Cheap'** products Hence, fitting the consumer needs into an affordable price point is the priority and then other features of product are designed accordingly. Pack sizes and price points are very critical for sales. Smaller pack sizes sold at lower price have more acceptance than larger packs.

Promotion Strategy

Challenge: Unlike the urban markets where the issue faced by companies is to find ways of differentiating their offerings and breaking the clutter; rural market poses different set of challenges like finding innovative ways to reach and communicate with the rural audience due to the lack of literacy and media reach in the rural market. The objective here is awareness creation and education.

Solution: The rural promotion should include a lot of unconventional platforms like mandis, haats, melas, mills, primary health centres, pilgrim sites etc to reach to mass audience.

Innovative promotional techniques like puppet shows, folk theatre, songs, demonstrations, posters, and wall paintings are often used to create awareness. Video and demonstration vans are also gaining popularity, they provide 'touch and feel' experience to the rural audience. Radio jingles can be used to create awareness and brand recall. For example, LIC uses a lot of puppet shows to create awareness regarding life insurance. Colgate and Lifebouy carry out a lot of camps in local schools to create awareness regarding hygiene.

Activity 7

(a) You want to create awareness regarding health and hygiene in the rural areas. What promotional techniques will you use?

……
……
……
……
……
……..

(b) Think of an innovative jingle and slogan for radio to have high association and recall

……
……
……
……
……..
……..

Place Strategy

Challenge: Lack of proper infrastructure like roads, railways lead to high distribution cost which along with non-availability of retail outlets poses a serious problem in entering the rural markets. Less than half the villages are connected through motorable, all weather roads.

Solution: Apart from the conventional distribution channels the following options are also used:

a) Rural Marketing Vehicle (RMV): For establishing grassroots contact and provide 'touch and feel' demonstrations, RMVs are used.

b) Melas and Haats: The importance of haats, melas and mandis as distribution channels is attributed to their sheer numbers and footfalls. Around 47,000 haats held throughout the country mostly on a weekly basis. The number of melas organised is 25,000 annually whereas there are 7600 mandis operating in India which provide one of the most used mediums of interaction with farmers.

15.5 GREEN MARKETING: A BRIEF INTRODUCTION

By now we are familiar with the term “green marketing”. What comes to your mind when you hear this term? Some common associations that come to the mind are "organic", "eco-friendly," "recyclable," or "sustainable". There is a reason why the concept of green marketing is gaining so much importance. Recent years have witnessed a rising concern with regards to the problems of climate change, ecological imbalance, rising carbon footprints, depleting natural resources and overuse of non-renewable resources. Today we are all discussing the issues of air pollution (poor air quality Index), plastic in oceans, global warming and food waste. These environmental issues influence all human activities, including business. This is particularly true for marketing. Today, there is an increasing interest and demand by both consumers and companies to adopt more green and sustainable practices.

The idea of green marketing emerged as the delayed response to minimise the harm that was done to our planet by the companies as well as society at large. Brands have understood that they need to change their missions and practices from revenue driven approach to environmentally responsible business practices with long term sustainability in mind. For example, ONGC, India’s largest oil producer is working to invent green crematoriums, which will replace funeral pyres that use excess oxygen and emit smoke.

15.5.1 Meaning and Importance

In simple English, green marketing refers to selling products and services by featuring their ecological advantages. Green marketing is an important and popular component of sustainable marketing. It refers to systematic designing, developing and promoting products and services in such a manner that they fulfil the needs of the consumers with respect to quantity, quality and price without negative impact on the environment and natural resources.

It promotes the adoption of an ideal marketing mix to maximize profits for the company while meeting the sustainability norms. The focus is to fulfil the consumer needs with no or minimum harm to the natural environment. Green marketing includes a broad spectrum of activities, including product redesigning and modification, changes to the production process, use of recycled packaging etc.

Factors Enabling Adoption of Green Marketing:

Businesses, consumers and society at large are of the opinion that a lot of damage has already been done to the planet. Having understood the extent of damage occurred in the last few years due to the limited resources available have been indiscriminately used to fulfill the limitless human wants.

It's time now for firms to wake up and initiate alternate ways and means to develop innovative strategies to fulfill the needs of the consumers with minimum use of natural resources and little damage to the environment. There are several reasons which have led to the rise in adoption of green marketing practices by companies.

i. **Environmental concern:** Rapid depletion and rising prices of natural resources is making it mandatory for the companies to think of sustainable solutions going green is an environmental responsible decision. It is believed that India is the third largest emitter of greenhouse gases. Reducing these greenhouse gases will reduce the carbon footprint and untimely will help in reducing the global warming.

ii. **Government pressure:** Government agencies, regulatory bodies and policy frameworks are also encouraging sustainability and green practices. Several regulations have been implemented by Governments to keep a check on the hazardous waste produced by firms and many environmental licenses are also issued to control the production byproducts.

iii. **Rising Consumer awareness:** There is a rising awareness and concern regarding the composition and sourcing of products and the consumers are also eager to have to socially responsible products and services that are harmless to the ecosystem

iv. **Economic advantages:** Reduction in wastages will reduce operating costs of the business and this will save more. Eco-friendly business equipment like, use of natural lighting, water conservation will not only save costs but also improves the image of business in the eyes of the customers, potential investors, communities and government.

v. **Competitive advantage**: Another significant importance of green marketing is that it helps firm to maintain competitive position in the market. By and large firms notice competitors improving their natural practices. There are instances where competitive pressure has caused an entire industry to alter its practices and thus reduce its negative environmental impact.

vi. **Innovation:** Green marketing helps to design many products and services that are not only economically affordable but also satisfy the human needs. For example, SBI used Eco and power friendly equipment in its ATMs; which not only saved power costs but also earned them carbon credits.

15.5.2 The 4Ps of Green Marketing Mix

Product: The raw materials considered while developing a green product include the sourcing and ingredients used in making the products, for example natural, organic and eco-friendly material is used, raw material is sourced from local suppliers; emphasis is also given on adopting lean processes of production to reduce carbon footprints. A very good example is that of Nestle which emphasizes on the sustainable use of natural and non-renewable resources. It works closely with the farmer communities and has engaged more than 100,000 milk farmers. The company also uses a lot of recycled material in its packaging. Another example is of Godrej which was the first brand to make soaps with chemicals which do not harm the marine environment. IndusInd Bank installed the country's first solar-powered ATM and initiated an eco-savvy move in the Indian banking sector.

Price: Green products are usually more expensive than the traditional products freely available in the market because of the ingredients that are used to make them. For example, organic food grown with natural fertilizers may be more expensive than those foods not utilizing natural fertilizers this higher price act as a hurdle in the mass acceptance for many green products. Companies need to reduce this price barrier. Also, there is a need to create the value of green products in the eyes of the consumer so that he doesn't mind paying a little extra to maintain a cleaner and greener environment.

Place: In order to reduce the carbon footprints and unnecessary fuel consumption sustainable distribution strategy uses a variety of efforts like using alternative energy sources, arranging for transportation with minimum emissions and optimizing distribution routes. Selling through Internet as compared to a shop also saves business resources.

Promotion: Sustainable promotion involves creating awareness amongst consumers regarding the environmental and social issues. Businesses and marketers should create awareness regarding the company's sustainable practices. Many consumers are still not aware

of the environmental, social and ethical initiatives undertaken by organizations. More and more public relations initiatives should be undertaken to create grass root awareness.

15.5.3 Problems Associated with Green Marketing

There are many challenges in adopting green marketing:

1) **New Concept:** Green marketing is relatively a new concept. Though buyers and sellers are getting more and more aware about this concept but it still requires more education. There is a need to make the masses aware about the green marketing.
2) **Need for standardization:** Not all marketing messages claiming to be green are actually green. There is no standardization currently available that could certify a product as authentic organic.
3) **Patience and Perseverance:** The green marketing is a movement that will require a lot of patience from the marketer as well as consumers. Marketers need to see green marketing as a long-term investment and this investment will not provide immediate results.
4) **Investments:** Green technologies require a lot of investment in research and development.
5) **Green Myopia:** In the zeal of producing a green product, the companies should not lose sight of the primary consumer need. There is a need to understand why a customer is purchasing a product. And then inspire the consumer to switch to environment friendly products. In other words, Green marketing should focus on both making the product green and achieving customer satisfaction.

Green marketing is much more than just marketing and earning profits. It is a way to give back to the nature, to help the environment in regenerating itself. There are still gap areas to fully understand green marketing and use green marketing on a day-to-day basis. It is extremely important that green marketing becomes the norm rather than an exception or just a fad.

Activity 8

List four green marketing initiatives that FMCG companies can adopt:

i)……...
.....

ii)……..
.....

iii).....
.....

iv).....
.....

15.6 RELATIONSHIP MARKETING

The primary objective or focus of marketing is to create strong and long-lasting relationship with all your customers. Companies do this by creating personal connections with the consumers, engaging them and making them feel 'valued'.

You may recall the concept of marketing evolved from the production concept which worked on the principle of 'make and sell' to a holistic concept which emphasized on sensing the needs of all the stakeholder viz. customers, employees, suppliers, and the whole community at large. This led to a shift in the approach of the marketers from Transactional Marketing to Relationship Marketing. This brings us to the concept of transactional marketing. Transactional Marketing is a marketing technique used by businesses to attract consumers with a sole focus on one-time sales and profit while relationship marketing aims to retain the customers by satisfying their needs continuously. A tabular comparison of these two marketing concepts is represented below:

Basis	**Transactional Marketing**	**Relationship Marketing**
Meaning	Transactional Marketing is a marketing technique used by businesses to attract consumers with one-time sales.	Relationship Marketing is a method in which the main objective is to have a sustainable long relationship with customers and satisfy their needs continuously.
Time horizon	Short term involvement	Long term engagement
Customer goal	Attracting new customers	Customer retention
Customer loyalty	Low	High

Customer interaction	Minimum	Maximum
Nature	Centred on getting an order	Centred on repeat orders
Sales objectives	Maximization of current sales	To become the preferred supplier in the market.

Relationship marketing aims at creating a "Marketing network" which includes not only the company and consumers but also all the other stakeholders like employees, suppliers, distributors, retailers, advertising agencies, etc. All the stake holders work to create mutually beneficial business relationship in the form of strong economic, social and technical ties.

In relationship marketing the focus shifts from transaction to relationship building. Transactions move from being negotiated every time to a routine based task which in turn leads to decrease in transaction cost and time. In such a situation competition is between marketing networks rather than between companies, and the golden ball goes to those who have built better networks. The basic principle is simple. Build an effective network of relationships with key stakeholders and continue to benefit.

Firms nowadays are following a new trend known as relationship-marketing programs to stimulate usage and customer loyalty. For example, Myntra has launched a program known as Myntra insider which gives customers early access to new sales and extra discounts than regular customer, this is for those people that are regular buyers from the platform, the idea here is to encourage and reward customer loyalty. The reward for Myntra is that over a period of time they get a sustainable base of a loyal customer group and not switchers.

Many companies start "Club" membership and provide membership to the existing customers as a part of their relationship programs. These club memberships help in creating long term sustainable relationship with the customers by providing them special benefits and giving them preferential treatment in comparison to non-club members. This idea has taken off in the last decade, it is used by retail chains (Shoppers Stop), airlines, Gyms, hotel chains, online shopping platforms (Amazon prime, Myntra) etc. Induce loyalty in customer through monetary incentives and various schemes like club membership, loyalty point and vouchers. Airlines provide frequent flyer points to reward their loyal customers. Major retail chains also provide membership cards to provide benefits and rebates to loyal consumers. For example, Shoppers Stop First Citizen cards. Zomato Gold membership card etc.

It is very important for the marketers to determine the "lifetime value" of their customers. Till recently the customers lifetime value was solely determined by their profitability in terms of sales however now it also includes the consumers' behaviour in terms of their referrals (positive word of mouth and reviews), and knowledge sharing (information and feedback provided by consumer).

15.6.1 Elements of Relationship Marketing: The relationship-marketing program incorporates the following three key elements:

(A) Identifying and building marketing databases of potential and present customers:

In relationship marketing, the focal point is to establish a company-wide database of detailed customer information. Once potential customers have been identified, marketers capture and store data about their names, contact information etc. in short, all the relevant data in a database for future communication. The data warehouse collects and stores the data at a central place, the data analysts use the data-mining techniques to profile and segment the customers and understand their lifestyle patterns. Advertiser then use more personalized and targeted media channels to reach and engage the customers.

Most of these databases can be built using secondary data. Furthermore, companies are known to buy data from "data brokers" and can further classify and verify data from their data base and the one bought from data brokers. This new data can be used to initiate contact with new potential customers.

(B) Delivering customized messages to targeted audience:

For advertisers, more precise targeting means greater impact. This specific targeting can be achieved as per the product or service being offered and study of consumer's media consumption habits. Relationship marketing helps in understanding the lifestyle and media consumption habits of present as well as potential customers. For instance, if you are selling Jam, tea or snacks you will want Mass media advertising (Television advertising etc.) to go on air at morning or evening when people are having breakfast and, in the evening, when families are gathered around the television. Timing and media utilized are crucial in this case. Various media for message delivery are utilized presently but are categorized primarily under print and digital.

Social media advertising has seen a sharp rise in prominence in recent years as more and more eyes are glued to social media, via such a medium company can create customized

messages which are very potent can convert a potential prospect to a customer, all this is only possible when an enhanced database containing volumes of necessary data have been acquired.

(C) Tracking the relationship for better media utilization

Technological and media innovations along with the increased digital marketing initiatives help the advertisers to measure and understand the effectiveness of different advertising campaigns and media channels. Relationship marketing emphasizes on tracking the cost of acquiring and maintaining customer relationships over the years. Again, marketing research plays an important role in this phase of relationship marketing programs. Follow-up is usually done by research studies.

15.6.2 Role of Sales Force in Relationship Marketing:

In today's cut throat competition the role of sales personnel has become more critical. Their role is not restricted to just one transaction but in the creation of long-term partnership. New gen salespeople are becoming more market-focused and customer-oriented. They are not only concerned about producing sales but also aim at generating customer satisfaction and creating long term associations. Relationship marketing emphasizes that important accounts need focused and ongoing attention. The best salespeople are those who are not only highly motivated and good at closing sales (closers), but also customer problem solvers and relationship builders. In relationship marketing sales persons and their client work as a team, where the sales person assumes the role of a solution provider by identifying and understanding the specific needs of the client and customizing the products/services accordingly. Digital platforms like company websites and databases further help the sales executives in prospecting and targeting the potential customers as well as cross selling and engaging the existing customer.

15.6.3 Relationship Marketing in Direct Marketing:

Relationship marketing has been in practice since the time when direct marketing included the use of catalogues by retailers to promote and sell the products directly to the consumers to provide a "human contact". It has not lost its significance even in the current era of digital transformation where the manufacturers try to reach, communicate, engage and sell the products directly to the end users via digital channels. Earlier relationship marketing included editorial write ups, customized content to engage with the audience, for example cookware catalogue providing recipes and menus etc.

Today direct marketing players use a lot of relationship marketing initiatives to engage the customers which include

- Sending information about new products and discount options.
- Providing information about new products in which the consumer may be interested based on previous purchases.
- Taking customer feedback.

15.6.4 Relationship Marketing in Retailing:

Retailers have long realized that the cost and efforts required to attract new consumers are more than retaining the existing ones. This long and profitable relationship is possible only if there is a mutual give and take. The retailer needs to create a holistic retail experience, keep track of the customer's activity and satisfaction and finally create maximum contact points with the customer. Relationship marketing emphasizes on a symbiotic "win -win" relationship between the retailer and customer where the retailers prosper in the long run by attracting, retaining, making profits etc only when the customer also gains by receiving personalised treatment and good value. Otherwise, retailers lose (shoppers patronize competitors) and customers lose (by having to spend time and money learning about other retailers).

ICT has made it much easier to develop a customer database that contains information about the shoppers' attributes and past shopping behavior. This makes communication with the consumer better, more frequent, and more focused. All the major retailers indulge in a lot of relation marketing practices like providing loyalty points, membership cards, sending personalized SMS and emails intimating the consumers about new products, deals and discounts etc.

Benefits of Relationship Marketing:

Relationship marketing helps in generating customer loyalty and secures a customer for life time. There are innumerable benefits of having happy and loyal set of customers. Loyal customers are easy to service, do not deflect and spread positive word of mouth. Because of the trust which is gained over a period of time the customers are ready to try new offerings of the company. Continuous feedback mechanism which is a prominent feature of relationship

marketing helps the company to improve its product and service offerings. Loyal customers act as partners and often provide innovative insights for the company.

Activity 9

State whether true of false

a) Relationship marketing aim at maximization of current profit from transaction…….
b) Sales persons do not have much role to play in relationship marketing……
c) The focus of relationship marketing is on maintaining a central database of all the customers……...
d) Loyalty points and memberships are some of the strategies used in relationship marketing.....

15.6.5 Concept of Customer Relationship Management (CRM)

Have you ever had an experience where you had gone to any well-known stores like Shoppers Stop, Lifestyle etc. and after shopping the personnel at the billing counter took some of your details like birthday, anniversary etc. offered you membership cards and once you reach home, you start getting SMS and emails asking for feedbacks, telling you about new offers and sales, wishing you on your birthday! Yes, this is CRM in practice.

Customer relationship management (CRM) is a set of practices, techniques, and strategies used by businesses to monitor and interpret customer relationships and data during the customer lifecycle.

It is a process that focuses on creating a deeper, richer, and better relationship with consumers, resulting in consumer satisfaction, regular contact, and long-term commitment. It is all about developing and sustaining long-term consumer business relationships. It is a strategy to develop stronger relationships with the customers by identifying and tracking their needs and behaviour.

CRM helps an organization in maximizing interactions with customers, suppliers, or prospects via one or more touch points like a call centres, sales representatives, Website, or e-mail – for the purpose of acquiring, retaining, or cross-selling customers.

An important part of CRM is to identify and classify different types of customers and developing specific strategies for engaging and communicating with them. Examples of such

strategies include rewarding and developing better relationships with profitable customers by providing them membership benefits, loyalty points and various other incentives; identifying and locating new customers who can be profitable and attracting them with various offers, and finally finding the unprofitable customers and managing them accordingly.

The whole process of attracting, engaging and retaining the consumer requires a number of tedious tasks which can be automated some examples of CRM marketing automation include:

- Sending of thank you message after every purchase.
- Offering greetings on special occasions like birthdays, anniversaries etc. along with promo codes.
- Sending information about new products and discount options.
- Sending an email to people that abandon purchases in their shopping cart without buying.
- Providing information about new products in which the consumer may be interested based on previous purchases.
- Intimating the consumer when a product in his/her wish list goes on sale.
- Taking customer feedback.

Activity 10

Search and write down the relationship marketing (CRM) strategies followed by the following

a) Reliance Jio
……
……
……

b) Big Bazaar
……
……
……

c) Flipkart
……
……
……

15.6.6 Advantages of CRM

i. Improves customer service and enhancement of speed of delivery.

ii. Helps in identifying potential customers.

iii. CRM emphasizes on training and development of the employees to become more customers oriented which leads to increased customer retention.

iv. Real time analysis of data collected from consumers.

v. Increase in long-term relationships: By treating the customers as partners and involving them in the process of product designing as well taking regular feedbacks for service improvement, the firms can promote long term associations.

vi. Higher return on investment.

vii. A central database helps keep track of customer activities.

15.7 OVERVIEW OF SOME LATEST MARKETING TRENDS

15.7.1 Sensory Marketing

Has it ever happened that while walking through the gallery of a shopping mall a strong aroma of coffee caught your attention and you ended up having a coffee and muffin from the café! Or the colourful ambience, fresh lime fragrance and cheerful music triggered your appetite? These are the examples of sensory marketing. Sensory marketing as the name suggests refers to the marketing strategy adopted by the companies to target at least one or a combination of consumer senses namely the sense of vision, smell, taste, hearing or touch. That is the reason why the a lively, loud and fast music is played in the quick service restaurant to speed up the consumption while a fine dining restaurant plays soft, soothing and slow music.

Sensory marketing focuses on the human brain and the five senses to attract and retain the consumers. This is done to trigger an emotional, cognitive and behavioural response from the consumer.

The benefits of sensory marketing include:

i. Building a sense of familiarity and trust with the brand

ii. Creating a memorable experience which lead to positive brand associations

iii. Improving customer loyalty

Next, to help you gain a better understanding of sensory marketing and branding let us look at some of the examples:

- Dunkin' Donuts implemented a large-scale sensory branding campaign in Seoul, South Korea in which air infusers, fitted in the local city buses released the fragrance of freshly brewed coffee whenever the Dunkin Donuts jingle was played. After the jingle the buses would stop close to a Dunkin Donuts outlet.
- Luxury car manufacturers use "engine sound enhancements" along with the new car smell and work on the sound of the car door closing. These are all carefully planned to inspire feelings of excitement, safety and luxury.

By adopting these strategies brands are able to connect with the consumers on the emotional level. Brands nowadays are doing a lot of research and spending their time and money in determining what type of sensory cues can create a positive and memorable message.

15.7.2 Online Behavioural Advertising

One of the major phenomena which is affecting the whole landscape, content and focus of advertising is Online behaviour advertising. Online behavioural advertising (OBA) is the practice of collecting data from a particular computer regarding internet browsing activity for the purpose of understanding and predicting user's preferences to deliver highly personalized advertising. So, whenever we visit a website, search some information, tweet on twitter, post on Facebook, write blogs, our activities are being monitored continuously.

These activities also include online purchasing patterns and time spent by them on any internet platform. The data is often collected by marketers and advertisers and then they organize, aggregate and distribute this data among relevant data fiduciaries. In a nutshell, OBA is nothing but an internet advertisement provided by marketers to relevant customers based on their online behaviour. Let's consider the case of Harsh. Harsh was reading an article on The Hindu, titled 'Go Back to Bicycles'. The article was about climate change and how modern vehicular transportations like; cars are making the climate worse by their CFCs emissions. The writer gave a suggestion to cycle more. Later Harsh went on Flipkart and searched cycles. Later, on the same day he noticed the advertisements of cycles over every

website he visited. This is the classic example of OBA. Now, the question is why do marketers use this technique?

Online behavioral advertisement is a path breaking marketing technique that brings several opportunities for both marketers and customers. As the ads are personalized, customers get relevant offers leading to better user services. This indeed uplifts customer relationships. When a consumer notices an ad for the product which interests him, he immediately clicks on it. This is far easier and faster for the consumer than to manually navigate himself to that website. Hence, higher efficiency in online shopping is on the table. This increases the sales and profits of the marketer. Let us consider another example of OBA. But this time let's take OBA a step forward to understand the depth of this phenomenon.

15.7.3 Consumer to Consumer Marketing (C2C Marketing)

Consumer to Consumer Marketing or C2C e-Commerce is gaining a lot of popularity nowadays. It includes online transaction or selling of goods and services between consumers. C2C e Commerce provides the individuals a platform to sell something they no longer need or to sell products made by them in a home-based business. This transaction is facilitated by a third-party website or online interface. This third-party site takes cares of the smooth conduct of transaction and charges a small commission for the same.

Consumer-to-consumer e-Commerce helps consumers to buy and sell directly with other consumers without having a middleman, or maintaining their own offline or online storefront. Some of the examples of this model in India include OLX.com, Quikr.com and Ebay.in etc. Consumers can buy and sell anything right from furniture, electronic items, bikes, mobiles to flats.

Certain problems associated with C2C marketing include difficulty in payment mechanism and inconsistency in product quality as many times consumer-to-consumer trades are for second-hand goods.

15.7.4 Direct to Consumer Marketing (D2C marketing)

Direct to consumer marketing involves direct promotion and selling of products and services to the end consumer, thereby removing all the intermediaries. In direct-to-consumer marketing companies manufacture, promote, sell and ship the products independently and establish direct contact with the end consumers.

Today, markets worldwide are witnessing the rise of direct-to-consumer brands across categories from beauty, personal care, fashion to food and beverages, India is no exception. Some very popular D2C brands include Sugar, WOW Skin care, Freewill, Bare Anatomy Zivame, Nat Habit, Mamaearth, Lenskart, Licious, Healthkart, Country Delight etc.

This rising popularity of D2C brands can be attributed to rising internet penetration, evolving consumer needs, customized offerings, convenience and seamless processes. The companies involved in D2C marketing have a very clear value proposition and try to connect with the consumers at a very personal and emotional level. With efficient use of technology and innovative marketing these companies are able to achieve high level of operational efficiency. Making use of the consumer data to draw consumer insights and by having feedback led business model, D2C brands are able to develop products as per the evolving needs of consumers.

15.8 Summary

Marketing of services require a separate treatment because of its unique characteristics of intangibility, inseparability, variability and perishability. So, services marketing mix includes additional 3 Ps namely Physical evidence, personnel and process. Just any other sector, the landscape of service delivery has metamorphosed due to the rapidly changing technology.

Digital transformation has brought about a sea change in the interactions between companies and consumers. Digital marketing which encompasses a number of strategies like email marketing, search engine optimization (SEO), social media marketing, web analytics etc. has led to better customer engagement, customized communication and trackable results.

Marketers have understood that India lives in ***Bharat*** i.e. in rural hinterland. The huge untapped potential of this rural market along with the saturation in the urban market has led all the companies across different product and service categories to redesign the whole marketing mix. Product innovation, affordable pricing, use of unconventional promotional and distribution channels are the key to exploit the full potential of this market.

Last few decades have seen a shift from transactional marketing to Relationship marketing which focuses on consumer retention and sustainable long relationship. Customer Relationship management (CRM) aims to create a deeper, richer, and better relationship with consumers, resulting in consumer satisfaction, regular contact, and long-term commitment.

Climate change and environmental concerns have been given due importance by companies, consumers and policy makers. Sustainable marketing and green marketing practices have assumed a lot of importance. Sustainable marketing encompasses a host of activities starting from rethinking, redesigning, developing and promoting products and services in such a manner that they not only meet the current consumer needs but also the needs of future generations.

By tracking the online browsing behavior of consumers, companies are able to provide personalized promotion but this has led to rise in privacy concerns. Sensory marketing which aims at engaging all the senses of consumers for a better emotional, cognitive and behavioral response is being used by major product and service brands.C2C and D2C marketing has provided newer platforms for interactions between company and consumers as well as between consumers.

In order to keep pace with the changing technology and consumer needs the paradigms of marketing keep on changing and evolving. To conclude it all ***change is the only constant.***

15.9 Key words

Physical Evidence: It is the additional marketing mix element for services which includes all the physical cues in the ambient, design and social environment of the service interface which reassures the consumer of the quality of service.

Search Engine Optimization (SEO): The process or procedure to make the content of the website efficient with respect to the keyword search so as to quantity and quality of website traffic.

Social Media Marketing: Social media marketing refers to connecting with people, sharing or exchanging information, promoting our offerings and creating awareness about our existence over the social media platforms

Green Marketing: refers to systematic designing, developing and promoting products and services in such a manner that they fulfil the needs of the consumers with respect to quantity, quality and price without negative impact on the environment and natural resources.

Haats: They are periodic markets (usually weekly) that form an integral part of the rural distribution system in India. This is a location which witnesses a public gathering of buyers and sellers at fixed times and at fixed locations

Mela: Mela in Sanskrit means "gathering" or a "fair". It comprises of gatherings and can be religious, commercial, cultural or sport-related.

Data Warehouse: A data warehouse is a large collection of business data used to help an organization make decisions.

Data mining: It is the process which the companies adopt to retrieve information from raw data by using different software. It helps them in learning more about their customers and design their marketing strategies.

Customer Relationship Management: Customer relationship management (CRM) is a set of practices, techniques, and strategies used by businesses to monitor and interpret customer relationships and data during the customer lifecycle.

Online Behavioral Advertising (OBA): Online behavioural advertising (OBA) is the practice of collecting data from a particular computer regarding internet browsing activity for the purpose of understanding and predicting user's preferences to deliver highly personalized advertising.

Consumer to consumer (C2C) Marketing: C2C marketing refers to online transaction of goods between consumers. C2C eCommerce provides the individuals a platform to sell something they no longer need or to sell products made by them in a home-based business

Direct to Consumer (D2C) Marketing: Direct to consumer marketing involves direct promotion and selling of products and services to the end consumer, thereby removing all the intermediaries

15.10 Self-Assessment Questions

1. The unique characteristics of services require special treatment in terms of extended marketing mix. Elaborate upon the statement by taking an example of restaurant.
2. Choose any company of your choice and list down the digital marketing tools used by it.

3. Choose pick the following two companies for example Amul and HUL and compare their green marketing strategies.
4. Study the relationship marketing initiatives of Airtel, also note down the benefits the company achieved due to its superior CRM practices.
5. Why it is essential to make the whole marketing mix elements tailor made according to the rural needs in order to be successful? Take an hypothetical example of your choice and discuss.
6. Discuss the various strategies that the marketers use for the product modification in rural markets with the help of suitable examples..
7. Visit any retail store or restaurant, observe all the sensory marketing elements there and discuss which of the element had the strongest impact on you and why?

15.11 FURTHER READINGS

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